



Doing Business In Cyprus: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Cyprus

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Market Overview

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Government-Controlled Area¹:

The government-controlled area of Cyprus offers good business and financial services, modern telecommunications, an educated labor force, good airline connections, a sound legal system, and a low crime rate. Cyprus' geographical location, low tax rates, and modern infrastructure make it a natural hub for companies looking to do business with the Middle East, Eastern Europe, the former Soviet Union and North Africa. A more liberal investment regime has helped increase the flow of direct EU investment in Cyprus since the late nineties. The inflow of total direct investment in Cyprus reached USD 1.22 billion in 2004, compared with USD 1.00 billion in 2003. Intellectual property is protected under modern copyright and patent legislation, although better enforcement of these laws is needed.

Economic growth accelerated to 3.6 percent in 2004, from 1.9 percent in 2003. The main drivers of growth were the sectors of financial intermediation (12.4 percent), transport, storage and communication (8.9 percent), construction (5.2 percent) and wholesale and retail trade (4.8 percent). Tourism, by contrast, recorded a 2.8 contraction in value-added terms, because of a small decline in tourism revenue and despite a small increase in arrivals. The sectoral allocation of GDP in 2004 was as follows: primary sectors (agriculture, fishing and mining) 4.4 percent; secondary sectors (manufacturing, utilities and construction) 19.3 percent; and tertiary (services) sectors, including tourism, 76.2 percent.

Cyprus joined the EU's Exchange Rate Mechanism II (ERM II) on April 29, 2005 and it remains on track to adopt the Euro in 2008. The EU's Economic and Financial Affairs Council (ECOFIN) has described the GOC's 2004-2008 convergence plan as "aspiring but plausible." Cyprus' public finances have improved considerably over the last two years. The fiscal deficit, which had reached 6.3 percent of GDP in 2003, dropped to 4.2 percent in 2004 and is expected to continue declining to less than 3.0 percent in 2005.

¹ Since 1974, the southern part of Cyprus has been under the control of the Government of the Republic of Cyprus, while the northern part has been administered by a Turkish Cypriot administration, which proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC") and has not been recognized by any country except for Turkey. A substantial number of Turkish troops remain on the island. A buffer zone or "green line," patrolled by the U.N. Peacekeeping Force in Cyprus (UNFICYP), separates the two parts. The United States recognizes the Republic of Cyprus as the Government of Cyprus. It is also U.S. policy to ease the isolation of Turkish Cypriots and to promote economic growth and opportunity in the Turkish Cypriot economy in order to pave the way for a comprehensive settlement and reunification. For clarity of presentation, this report outlines the different circumstances that pertain in these geographically distinct parts of the island.

Similarly, the public debt, which reached 71.9 percent of GDP in 2004 (fifth highest in the EU), is set to decline gradually to 68.3 percent by 2007.

Cyprus is one of ten countries that joined the European Union (EU) on May 1, 2004. The process of harmonization with the EU in the run-up to accession has transformed the whole economic structure of Cyprus, making it more open, liberal, and competitive. Among the many reforms which have already taken place are the following: liberalization of trade and interest rates, abolition of investment restrictions for EU residents and liberalization of the general investment regime for all non-EU investors, abolition of price controls, introduction of private financing for the construction and operation of infrastructure projects, and liberalization of utilities. Naturally, some of these changes will take time to bear fruit. For example, the dominant position of semi-government organizations, which until recently monopolized entirely utilities such as telecommunications or power generation, may keep foreign investors away, at least in the near future. Cyprus has obtained very few derogations from the EU, one of which concerned the acquisition of land by EU (as well as non-EU) residents until 2009.

Area Administered by Turkish Cypriots:

The self proclaimed "Turkish Republic of Northern Cyprus," is only recognized by Turkey and controls about one-third of the island's area and around a fifth of the population. Per capita GDP in the area administered by Turkish Cypriots is around 35 percent of that in the government-controlled area. The New Turkish Lira is the main currency, although British and Cyprus Pounds are widely used. Like the government-controlled area, the area administered by Turkish Cypriots is heavily dependent on imports. Agriculture is still a major sector in terms of employment, exports, and consumption, although its share in the GDP is decreasing annually.

In 2003 (last available information), the agricultural sector employed 14.5 percent of the working population and accounted for 41.1 percent of total exports from the north. Processed agricultural goods accounted for another 32.7 percent of total exports.

Most industrial enterprises in the north vary from small to medium-sized. Manufacturing is limited mainly to food and beverages, furniture and fixtures, construction materials, metal and non-metal products, textile and clothing.

With hundreds of miles of coastline, medieval castles, and Roman ruins, tourism is a major potential growth industry. Education is also one of the strongest sectors in the north. There are currently five universities attended primarily by students from Turkey as well as Turkish Cypriots and international students. According to the "State Planning Organization" during the 2004-2005 academic year the number of enrolled students was 34,000.

The economy grew by an estimated 9.6 percent in 2004, buoyed by a boom in the construction and education sectors, and increased employment of over 5,000 Turkish Cypriots in the government-controlled area, where wages are significantly higher.

The absence of a political settlement and the lack of international recognition for the "TRNC" pose an inherent risk for the foreign investor interested in buying or leasing property in the area administered by Turkish Cypriots. Potential investors should be cautious and check out all the facts concerning purchasing or leasing property in the

north. Unless the property in question was in Turkish Cypriot hands prior to 1974, it will be very unlikely that the title to the land will be free and unchallengeable. Property issues will be at the heart of any settlement of the Cyprus problem and will involve the return of property and/or compensation to pre-1974 owners. Estimates of the percentage of land in the north that belonged to Greek Cypriots pre-1974 run as high as 85 percent. Foreign buyers or leasers of land may also face legal challenges from those displaced in 1974 either in Republic of Cyprus courts or courts in their country of residence.

Market Challenges

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Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'etat directed from Greece. Since 1974, the southern part of the island has been under the control of the internationally recognized Government of the Republic of Cyprus. The northern part of the island is administered by a Turkish Cypriot administration. In 1983, that administration proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC"). The "TRNC" is not recognized by the United States or by any other country except Turkey. The two parts are separated by a buffer zone patrolled by United Nations forces. A substantial number of Turkish troops remain on the island.

There has been no serious inter-communal violence since 1974, other than an isolated incident in 1996 resulting in the deaths of two Greek-Cypriot civilians during a demonstration in the buffer zone. The partial lifting of travel restrictions between the two parts of the island in April 2003 has allowed movement of persons – almost seven million crossings to date -- between the two parts of the island with no significant interethnic incidents. In August 2004, new EU rules allowed goods produced in the north to be sold in the south provided they met EU rule of origin and sanitary/phyto-sanitary requirements. In May 2005, the Turkish Cypriot "authorities" adopted a new regulation "mirroring" the EU rules and allowing certain goods produced in the south to be sold in the north. Nevertheless, trade between the two communities remains limited. Suppliers of imported products in the government-controlled area cannot directly serve the Turkish Cypriot market and vice versa.

A plan for the reunification of the island, negotiated under the auspices of the UN, was submitted to the two communities for approval in separate but simultaneous referenda on April 24, 2004. The plan was approved by the majority of Turkish Cypriots but rejected by the majority of Greek Cypriots.

Market Opportunities

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Government-Controlled Area:

Best prospects for U.S. firms generally lie in services, high technology sectors, such as computer equipment and data processing services, financial services, environmental protection technology, medical and telecommunications equipment, and tourism development projects such as casinos, marinas, and golf courses. Moreover, alternative energy sources and the energy sector in general, are attracting an increasing amount of attention, while the possible existence of natural gas and petroleum reserves off the

southern and eastern coast of Cyprus opens up new prospects. U.S. food franchises and apparel licensors are also finding fertile ground for expansion in Cyprus in recent years.

The gradual liberalization of foreign direct investment regulations has made Cyprus progressively a more attractive destination for U.S. investors in recent years. Traditionally, U.S. direct investment in Cyprus consisted of relatively minor projects, mostly by Greek-Cypriot expatriates. New investment projects with U.S. involvement in 2003 included a well-known US coffee retailing franchise, an equestrian center, a hair products manufacturing unit, a firm trading in health and natural foodstuffs, and a financial services company. It should also be noted that the abolition of restrictions on investment originating from the EU allows U.S. investors to benefit as well, provided they work through subsidiaries in the EU.

Area Administered by Turkish Cypriots:

No detailed statistics on investment are available in the area administered by Turkish Cypriots. However, most foreign direct investment in north Cyprus since 1974 has come from Turkey – both from the government and private sector. Tourism has attracted most investment. Currently, there are plans for three large hotels in coastal areas in the north and one large marina.

Tourism continues to be the sector the north depends on for its economic development. Over the past year, construction of vacation and retirement villas (aimed mainly at the UK market) and to a lesser extent hotels has boomed. Turkish and Turkish-Cypriot businesspeople plan to construct several hotels a marina and a golf course in the coming months. Tourist visits increased over the last year.

Other potential growth opportunities include agribusiness (especially in citrus, potatoes, and carob – which can be used as a chocolate substitute in health foods) and the export to north Cyprus of cereals and animal feed.

Please see the caveats on property in the above sections.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/5376.htm>

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Using an Agent or Distributor

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Distribution and Sales Channels; Use of Agents/Distributors; Finding a Partner

Government-Controlled Area:

It is relatively easy to find qualified Cypriots to serve as agents and distributors. Hundreds of U.S. companies are already represented here on an agency/representative basis. Cypriot agents/representatives normally market U.S. products and services under binding agency agreements based on commissions. In general, the Embassy's experience has been that Cypriot agents are reliable and pursue their work objectives aggressively and with a keen business sense. In Cyprus, a Commercial Agent must register with the Council of Commercial Agents and receive a license with a registration number.

Area Administered by Turkish Cypriots:

In order to do business in the area administered by Turkish Cypriots it is imperative to cooperate with a Turkish-Cypriot businessperson or entity. For information on how you can get in touch with prospective agents or distributors, you can contact the Turkish-Cypriot Chamber of Commerce. The TCCoC has a list of members with their respective line of business and contact information for each. Please click on the following link for detailed information on the TCCoC: <http://www.ktto.net>

Other contact details:

Tel.: +392-228-3760, +392-228-6822

Fax: +392-228-6705

Email: ktto@ktto.net

Postal address: 90 Bedreddin Demirel Cad.
Nicosia

Government-Controlled Area:

Cyprus, a full EU member since May 1, 2004, has a liberal climate for investments. On October 1, 2004, the GOC lifted most investment restrictions concerning non-EU residents, completing earlier reforms (introduced in January 2000) concerning EU investors. Through this decision, the GOC has lifted most capital restrictions and limits on foreign equity participation/ownership, thereby granting national treatment to foreign investors. Non-EU investors (both natural and legal persons) may now invest freely in Cyprus in most sectors, either directly or indirectly (including all types of portfolio investment in the Cyprus Stock Exchange). The only exceptions concern primarily the acquisition of property and, to a lesser extent, restrictions on investment in the sectors of tertiary education and mass media (see below).

Under the new policy, there is no mandatory screening of foreign investment. Foreign investors can register a company directly at the Registrar of Companies through qualified accountants or lawyers, a procedure that is exactly the same for local residents. Similarly, foreign investors may now acquire shares in an existing Cypriot company directly, without earlier authorization by the Central Bank. They are expected, however, to inform the Registrar of Companies about the change in ownership status. Foreign investors are still expected to obtain all permits that may be necessary under Cypriot law to do business in Cyprus. For example, they may need to obtain a municipal permit to set up a kiosk or abide by prevailing health standards to own and operate a catering company, etc. Furthermore, non-EU residents wishing to take up employment in Cyprus must obtain work permits issued by the Migration Department.

Non-resident investors can establish a legal presence in Cyprus through a selected professional (attorney or accountant) licensed to practice in Cyprus. The professional will establish the type of legal presence required (i.e. company, branch, partnership, joint venture, etc.) through the Registrar of Companies. This process usually takes about a month to complete and costs between USD 2,000 and USD 4,000.

Restrictions on Property Acquisition:

Cypriot legislation imposes significant restrictions on the foreign ownership of real property. Persons, who are not ordinarily residents of Cyprus, are generally restricted to buying only a single piece of real estate for private use not exceeding three donums (i.e. normally a holiday home or an office). Exceptions can be made for projects requiring larger plots of land (i.e. beyond that necessary for a private residence) but are difficult to obtain and are rarely granted. The GOC has obtained a temporary derogation from the EU *acquis communautaire* on this issue for five years, i.e. until May 2009.

Employment and Other Restrictions:

Non-EU residents wishing to take up employment in Cyprus must obtain work permits issued by the Migration Department. Employment permits are issued to the senior executives of companies as well as to other foreign personnel when administrative or technical staff of the same caliber cannot be found in Cyprus, or when the employment

of the non-EU resident is absolutely necessary for conducting the business of the enterprise. Other restrictions may also apply, such as for setting up educational institutions on the island with non-EU participation.

Area Administered by Turkish Cypriots:

To establish an International Company (referred to as Offshore Company in the north), one has to file an application with the “Official Receiver and Registrar” to officially register the company. The application fee is USD 200 and according to the “authorities” it takes about one month to complete the registration procedure.

Once the provisional license is received, a businessperson or company has two months to complete the registration procedure. The provisional license is otherwise considered invalid. According to north regulations, the minimum nominal capital required to register a company is USD 5,000. Upon registration, international companies pay a fee of USD 500, and the same amount once a year thereafter.

Only non-residents can be shareholders of offshore companies and the company can only derive income from activities carried out abroad. “Income Tax Law” and “Corporation Tax Law” in the north do not apply to offshore companies. There is however, a charge of USD 500 as “Income and Corporation Tax.” The transfer of earnings from abroad is free of charge and the importation of office equipment is duty-free.

Foreigners can select one of the following three options in order to establish a company in the area administered by Turkish Cypriots:

(a) Establish a new company in the north. In this case, there is a requirement for minimum capital of USD 30,000. There is no requirement for “Ministerial Council” approval although the applicant must obtain all the necessary permits and documents from the police, “Ministry of Interior”, etc; or

(b) Establish a branch of an existing company abroad. There is no requirement for minimum capital in this case but there is a requirement for approval by the “Ministerial Council”; or

(c) Buy an existing Turkish Cypriot company. In order to do this, the foreign investor must have a Turkish Cypriot partner.

Additional information can be obtained directly from the “Ministry of Economy” at tel. (90-392) 228-5204, fax: (90-392) 228-5204; and the “State Planning Organization” at tel. 90-392) 228-3141, fax: (90-392) 228-5988.

Franchising

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Government-Controlled Area:

U.S. franchises, particularly in the food business, have been extremely successful in Cyprus in recent years. The following companies have opened franchise outlets in Cyprus since 1990: McDonald’s, Pizza Inn, Pizza Hut, Kentucky Fried Chicken, Kenny

Rogers Roasters, and TGI Friday's. The most recent franchises that opened outlets on the island are Starbucks coffee and Burger King. Bennigan's has also opened its first restaurant on the island last summer. Bonanza Steakhouse is scheduled to open in 2005 as well. Such non-food U.S. franchises as Athlete's Foot and Gold's Gym are also present and successful in Cyprus. Operation of these ventures results in a substantial outflow of capital in the form of licensing fees and royalty payments, estimated at around USD 20.0 million a year for U.S. and other foreign franchises. Present trends suggest that the franchising sector has great prospects for growth in Cyprus.

Area Administered by Turkish Cypriots:

There are no U.S. or international franchises currently established in the area administered by Turkish Cypriots. There is one successful local fast food chain and franchises are a potential growth industry.

Direct Marketing

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Government-Controlled Area:

Marketing has been a growth industry for Cyprus in recent years, to the point where many local firms offer their services to customers in the region. Advertising methods for the local market have become sophisticated and the choice of available media is approaching those available in other developed countries.

Area Administered by Turkish Cypriots:

Marketing and advertising are not used extensively in the north at this time. Most campaigns and advertising materials come directly from Turkey. With the recent developments in the north (construction, tourism-related projects, etc.), this sector will eventually grow to accommodate promotional needs mostly to foreign investors and prospective buyers. The Internet is more widely used in promotion efforts. However there is no reliable access to broadband internet service at this time.

Selling to the Government

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Government-Controlled Area:

The procurement practice of the government is to announce international or local tenders, depending on the size of the procurement. With EU accession, the procurement law has been amended to comply with EU laws and regulations. Tender documents are now only released in the Greek language, which is an official EU language. In most cases, U.S. companies may bid directly or through a local agent on any tender.

With the new procurement law, power on evaluating and awarding tenders has shifted from a Central Tender Board to each Ministry's tender board. A Tenders Review Authority is now established to examine complaints from bidders and to ensure that project awards are not mishandled.

Information on upcoming tenders is available through the Department of Commerce in Washington, through the Internet: <http://www.stat-usa.gov>, or the U.S. Embassy in Nicosia, Commercial Section (e-mail: nicosiaecon@state.gov, Internet site: <http://www.americanembassy.org.cy>, through the Business Opportunities section). Also through <http://www.export.gov>.

Ministry technical committees evaluate government tenders. Bids are evaluated first on technical merit and then on cost. Bidders on government contracts are advised to offer products/services that meet tender specifications to the dot. "Overbidding" -- providing additional technical capabilities or services -- only adds to the cost, thus risking low ranking by the financial committee. A number of U.S. firms have had their bids disqualified by quoting prices in currencies not listed in the tender documents.

Area Administered by Turkish Cypriots:

The "Central Tenders Commission" (CTC), which is under the "Ministry of Finance", handles all "Government" tenders released in the area administered by Turkish Cypriots. This is not the case with "municipalities" however; each "municipality" has its own tender board and follows its own regulations and procedures.

Tenders are announced in the "Official Gazette" or in a minimum of two local Turkish language newspapers. International tenders are also announced abroad as per the 1986 "By-Laws Governing State Tenders." Most tenders, however, do not permit participation from international companies. International companies can participate through an agent in north Cyprus only if the tender specifications clearly state that the tender is open for international participation. The agent must be fully registered in the area administered by Turkish Cypriots in order to represent any international company.

Trade Promotion and Advertising

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Government-Controlled Area:

Besides traditional advertising media like television and radio, direct marketing techniques that involve telephone calls to prospective customers and direct-mail to households have been used in recent years. Tele-marketing (advertising through TV, with call-in numbers to order directly) is also a recent innovation. Cable and satellite television, although still available only on a very limited basis, is expanding its reach and offers another advertising medium. Advertising through the World Wide Web has grown significantly over the past few years as the number of Internet users in Cyprus has taken off. Several Internet providers specialize in designing web pages.

More traditional advertising channels, such as billboards, or the print media, are also used extensively. General and product-specific trade shows take place year-round (see Chapter 9). Most newspapers are affiliated with particular political parties. The major Greek language newspapers are Phileleftheros, Alithia, Simerini, O Politis, and Haravghi. The major English language newspapers are the Cyprus Weekly, Cyprus Mail and the Cyprus Financial Mirror. There are numerous radio stations and seven broadband television channels: two government-owned, three private, and two paid subscription TV channels. There are also six local TV stations on the island. Digital

television is also a reality in Cyprus this year. Two companies offer cable digital TV; the Cyprus Telecommunications Authority (CyTA) through its pre-existing cable network and NV Cable Communications Systems, a strategic collaborator of the Electricity Authority of Cyprus, through the EAC's existing fiber optics.

Some of the major advertising companies on the island are:

DeLeMa / McCann Erickson: 36 Griva Digeni Avenue, P.O. Box 21674, 1512 Nicosia, tel.: +357-22-660300, fax: +357-22-660303

Telia & Pavla / BBDO: 92 Arch. Makariou III Avenue, Apt. 3, 1077 Nicosia, tel.: +357-22-377745, fax: +357-22-377996

Partners Communications Services, 6 Costakis Pantelides Street, 1010 Nicosia, tel.: +357-22-668450, fax: +357-22-661746, e-mail: partners@partners.com.cy

Area Administered by Turkish Cypriots:

The advertising sector in the area administered by Turkish Cypriots is not as developed as in the government-controlled area. Most advertising material comes directly from Turkey. The few advertising agencies that exist, generally do not undertake complex advertising issues or campaigns.

TV Stations: BRT (1 & 2), Kanal T, Genc TV, Akdeniz TV, ART, KTV.

Radio Stations: Radio 1, Bayrak, Kibris FM, Sim FM, Guven, Yakin Dogu

Newspapers: Kibris, Yeniduzen, Gunes, Kibrisli, Ortam, Cumhuriyet, Vatan, Afrika, Halkin Sesi. Like in the government-controlled area, most newspapers are affiliated with particular political parties.

Pricing

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Government-controlled area:

The intense effort to harmonize the Cypriot economy with that of the EU in recent years is making the Cypriot marketplace more open and more competitive. For example, over the last two years, the government has abolished price controls on all products. Additionally, the implementation of the Uruguay Round agreement since January 1, 1996, resulted in the abolition of import permits, quantitative restrictions, and other non-tariff barriers to trade.

When considering pricing strategy (and this applies to both the government-controlled area and the north), U.S. exporters should remember that the Cyprus market is small and orders are usually in limited quantities. The usual method of transaction is by letter of credit, with 90-days credit.

Sales Service/Customer Support

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U.S. companies bidding on various projects in Cyprus should bear in mind that a local representative is usually necessary (unless the tendering authority expressly rules out dealing with intermediaries, which is the case with the Ministry of Defense). When evaluating tenders, government and semi-government organizations will take into consideration the reliability and reputation of the local agent/representative. Also taken into consideration are after-sales service, maintenance contracts, and the availability of spare parts. The Commercial Section of the U.S. Embassy in Nicosia can help U.S. firms locate reputable local agents.

Protecting Your Intellectual Property

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In the government-controlled area, adoption of the Copyright Law on January 1, 1994 and the subsequent adoption of the Patents Law on April 2, 1998 were important milestones in establishing a modern legislative framework for the protection of intellectual property. The new Patents Law is consistent with Cyprus' obligations under the European Patent Convention and the World Trade Organization (WTO) TRIPS agreement. However, spotty enforcement of the existing IPR legislation is a continuing concern

Intellectual property rights are not adequately protected in the area administered by Turkish Cypriots.

Local Professional Services

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Government-Controlled Area:

A local attorney must prepare the Articles of Incorporation of the company and submit the application for registration to the Registrar of Companies. A list of local attorneys is available from the Consular Section of the Embassy, Tel.: +357-22-393939, Fax: +357-22-776841. The list is also available on the Embassy website: <http://www.americanembassy.org.cy> under American Citizen Services and under Commercial Information.

Area Administered by Turkish Cypriots:

The Turkish-Cypriot Chamber of Commerce can provide a list of professional services available, as well as, contact information. <http://www.ktto.net>

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<http://www.americanembassy.org.cy>

Government-Controlled Area:

<http://www.cyprus.gov.cy>

Government of Cyprus official website. Includes information on ministries and all branches of the government.

<http://www.ccci.org.cy>

For Information on Cypriot Companies by name or sector and for detailed information regarding Associations registered with the Chamber of Commerce and Industry

<http://www.cyaba.com.cy>

The Cyprus – American Business Association is dedicated to promoting bilateral trade relations between Cyprus and the U.S. and has a very close cooperation with the U.S. Embassy in Nicosia.

http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/index_en/index_en?opendocument

To find out if a company is registered in Cyprus check the website of the Department of the Registrar of Companies and Official Receiver. The website also provides statistics on companies registered in Cyprus and other services.

Area Administered by Turkish Cypriots:

<http://www.ktto.net>

The Turkish-Cypriot Chamber of Commerce website.

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Commercial Sectors

- Data Processing Equipment, Refrigerators, Pumps, and other Machinery_
- Optical, Measuring and Medical Equipment
- TV sets, Radios, etc.
- Miscellaneous Chemical Products
- Ships and Boats_
- Essential Oils_

Data Processing Equipment, Refrigerators, Pumps, and other Machinery

Government-Controlled Area:

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This sector has grown considerably for U.S. companies in the last year. Despite a drop between 2001 and 2002, the market picked up significantly for 2003. From USD 85.7 million in 2002, imports from the U.S. amounted to USD 107.7 million in 2003. It is expected that this sector will continue to grow on the island.

(Data in USD Million)	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	17.1	37.8	39.0
Total Imports	440.7	431.1	450.0
Imports from the U.S.	85.7	107.7	120.0

(Note: The above statistics are unofficial estimates.)

Area Administered by Turkish Cypriots:

N/A

Optical, Measuring and Medical Equipment

Government-Controlled Area:

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U.S. products, especially in the Medical Equipment sector are generally preferred on the island. Although, there was a slight drop from 2001 to 2002, the sector picked up the U.S. products again in 2003. With the new general hospital almost completed, a lot of medical equipment is tendered out, so this is a good sector for U.S. companies at least for the next couple of years.

(Data in USD Million)	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	0.79	7.0	7.5
Total Imports	82.0	77.5	80.0
Imports from the U.S.	9.3	15.1	18.4

(Note: The above statistics are unofficial estimates.)

Area Administered by Turkish Cypriots:

N/A

TV sets, Radios, etc.

Government-Controlled Area:

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This sector is becoming more favorable for U.S. exporters especially with the continuing depreciation of the dollar in 2003 and 2004 against the Cyprus Pound. Although there was an insignificant decrease from 2001 to 2002, imports in 2003 from the U.S. increased.

(Data in USD Million)	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	7.0	16.7	17.0
Total Imports	300.5	310.4	320.5
Imports from the U.S.	19.3	23.3	25.5

(Note: The above statistics are unofficial estimates.)

Area Administered by Turkish Cypriots:

N/A

Miscellaneous Chemical Products

Government-Controlled Area:

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Chemical product imports from the U.S. are increasing steadily for the last four years. The upward movement is expected to continue.

(Data in USD Million)	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	7.0	7.7	8.0
Total Imports	36.7	35.5	37.0
Imports from the U.S.	2.7	3.1	6.0

(Note: The above statistics are unofficial estimates.)

Area Administered by Turkish Cypriots:

N/A

Ships and Boats

Government-Controlled Area:

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Although the overall level of imports of ships and boats between 2002 and 2003 fell significantly, imports from the U.S. more than tripled and were a significant portion of the total imports in this sector. It is expected that this sector will rebound in 2004 and 2005 and that U.S. imports will continue to do well.

(Data in USD Million)	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	3.1	9.5	10.5
Total Imports	75.3	9.3	12.0
Imports from the U.S.	1.1	3.7	6.5

(Note: The above statistics are unofficial estimates.)

Area Administered by Turkish Cypriots:

N/A

Essential Oils

Republic of Cyprus-controlled area:

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The essential oils sector has shown steady growth for U.S. exporters for four consecutive years. Although the market is relatively small, there are good prospects for its continued growth and it is considered a promising sector for involvement by U.S. businesses.

(Data in USD Million)	2002	2003	2004 (estimated)
Total Market Size	N/A	N/A	N/A
Total Local Production	N/A	N/A	N/A
Total Exports	7.4	11.5	12.0
Total Imports	94.6	98.5	112.8
Imports from the U.S.	4.0	5.1	6.5

(Note: The above statistics are unofficial estimates.)

Area Administered by Turkish Cypriots:

Over 60 percent of north Cyprus's imports come from Turkey and around 45 percent of its exports go to Turkey. Imports from the U.S. (USD 7.1 million in 2004) make up a very small percentage of total imports (less than one percent). According to Turkish Cypriot statistics only USD 8,407 worth of goods (textiles) were exported to the U.S. in 2004.

Leading Imports by Product for 2004 (USD):

Vehicles	145,634,162
Fuel	43,485,935
Round bars	36,769,934
Industrial Machines	25,535,882
Cigarettes	22,865,994
Textiles	18,812,460
Pharmaceutical Products	18,309,035
Fabrics	16,392,847
Cement	14,986,541
Autoparts	14,521,613

Leading Imports from the U.S. to the north for 2004 (USD):

Corn	1,423,362
Cigarettes	1,160,161
Wheat	1,020,355
Vehicles	761,913
Soybeans	396,858
Cigars	261,630
Almonds w/o shells	204,982
Total	7,106,625

Total imports for 2004 (USD):

Turkey:	512,426,882 (60%)
European Union:	224,413,085 (26%)
Far East:	66,005,094 (8%)
Muslim States:	27,759,302 (3%)
Europe (other):	9,449,052 (1%)
Other Countries:	13,048,102 (2%)

Total imports: 853,101,517

Source: unofficial statistics provided by the Turkish Cypriot "Ministry of Economics and Tourism"

The main products that are exported from the north are citrus fruits, textiles and dairy products. According to unofficial Turkish Cypriot statistics, total exports for 2004 amounted to USD 61,535,677.

Opportunities

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Government-Controlled Area:

Current tenders/Investment Opportunities:

1. Combined Cycle Gas Turbine Unit for the Electricity Authority of Cyprus

The Electricity Authority of Cyprus (EAC) released a tender for a Combined Cycle Gas Turbine Unit of 170-220 MW capacity for the Vasilikos Power Station on April 15, 2005. This is a turnkey project based on a 2+1 configuration: two gas turbines/Heat recovery steam generators (HRSG) + one steam turbine. This unit will initially make use of distillate oil for fuel until liquefied natural gas (LNG) becomes available on the island. Tender specifications cover the design, manufacture, inspection, delivery to site, and installation and commissioning of the Turbine Unit. Moreover, the EAC is asking for a 9-year maintenance contract agreement. The initial deadline for bid submissions was June 14, 2005 but an extension is provided until July 5, 2005.

The winner of the contract award for this project is expected to have the inside track in future EAC tenders for two more planned combined cycle units at Vasilikos Power Station. Eventually, and if no other competing energy provider strongly enters the market, the EAC plans to have a total of six units (three conventional thermal and three Combined Cycle Gas Turbine units). Currently, only three units are constructed and operational and all of them operate on Heavy Fuel Oil (HFO). HFO is supplied through an under water pipeline from a single mooring point for the offshore unloading of tankers. The estimated cost of all three planned Combined Cycle units is USD 900 million.

2. Gas Reserve Terminal

The Government of Cyprus (GOC) must construct a new Gas Reserve Terminal to comply with the EU requirements for a 90-day reserve. This will also be constructed in the Vasilikos Power Station area. A tender for consultants is currently under review from the Ministry of Commerce but the contract should be awarded soon. The Consultants will advise the GOC on this project and identify suppliers of LNG and the best method for its transfer to Cyprus. The project is Build, Operate, and Transfer (BOT) and has an estimated cost of USD 250 million.

3. Energy Center / Deliquefaction Facility

The GOC expects to release a tender in 2005 for the construction of a land-based terminal in the Vasilikos Power Station area for deliquefaction of LNG. A Ministry of Commerce proposal to disassemble the old Hellenic Chemical Industries' facilities at Vasilikos (next to the EAC's power station) was approved by the Ministerial Board. The expanse of about 350 acres will be used to construct an Energy Center and a Deliquefaction facility for LNG. Disassembling will take about 12-15 months. The target for completion is 2008, although this may not prove feasible. This is also a BOT project and has an estimated cost of USD 400 million.

4. Renewable Sources of Energy

Projects for renewable sources of energy are still pending, specifically in the following sectors: 1) photovoltaic electricity generated by the sun; 2) wind turbines that generate electricity from the wind; 3) biomass for the production of electricity from organic waste; and 4) replacement of existing solar heaters. The GOC must comply with EU

requirements, which stipulate that Cyprus must cover up to 6 percent of electricity production through renewable sources of energy by 2010. The Government is offering selected subsidies in an effort to promote renewable sources of energy. Nevertheless, Cyprus is still significantly below the 6 percent target. Companies interested in expressing interest in the renewable energy sector, can contact the office of the Energy Commission:

Cyprus Energy Regulatory Authority
P.O. Box 24936
1355 Nicosia
Cyprus
Tel.: +357-22-666363
Fax: +357-22-666353

5. Helicopters:

There are two different helicopters' tenders: 1) The Ministry of Justice plans to release a tender in the fall for the purchase of two Search & Rescue helicopters 2) the Ministry of Agriculture, Forestry Department released a tender in April 2005 for two fire-fighting helicopters. The deadline for bids has been extended from June 6, 2005 to July 25, 2005

6. Dam Design and Construction

The Ministry of Agriculture, Natural Resources & the Environment, released a tender for the design of a dam for the Linou-Flasou area in the Solea valley (Tender #: 51/2005). The tender asks for "The Provision of Engineering Consulting Services for the Preparation of a Survey, Preparation of Tender Documents, and Supervision of the Construction of the Solea Dam. The Water Development Department (WDD) has formulated the specifications of the tender. The proposed capacity of the dam is between 4 and 4.5 million cubic meters of water and the height of the dam is approximately 53 meters. The objective is to design a dam, which imposes the least financial, and environmental cost and which does not affect the properties of the area's residents. The Solea valley, which surrounds the Linou-Flasou area, has had limited access to water for the last forty years. The new dam is expected to solve this problem. The deadline for bid submissions is July 25, 2005. Interested bidders can get detailed information on this project from the WDD at the address listed below:

Mr. Constantinos Katsavra
Water Development Department
Demosthenis Severis Street
1413 Nicosia
Cyprus
Tel.: +357-22-803225
Fax: +357-22-803209
Email: ckatsavras@wdd.moa.gov.cy

7. Highway Construction

Procedures are underway for the release of a tender for the construction of the Paphos to Polis Chrysochou highway. This 30-kilometer, four-lane, highway will consist of three

bridges and two tunnels. The selected bidder will undertake the financing, construction, and maintenance of the highway. The GOC is considering various payment mechanisms for this BOT project. The Government's external advisors are currently reviewing the possibilities for this project and are working on an "invitation document" for the pre-qualification stage. This initial tender document will probably be released in the fall of 2005 (September – October). Once the pre-qualification stage is completed, then the Government will release the tender to the companies that pre-qualify in late 2005 to early 2006.

8. Casino Construction

The Cyprus Tourism Organization (CTO) released two tenders on May 27, 2005 for feasibility studies on the prospects of constructing casinos in the government-controlled area and the prerequisites that must be adhered to in order to avoid negative social and economic consequences. The deadline for both tenders was June 10, 2005. The Government of Cyprus (GOC) will use these studies, once completed, to help it decide whether and under what conditions to introduce legalized casino gambling.

For more information on the CTO tenders and casino construction possibilities, please contact:

Ms. Nicoletta Pafitou
Cyprus Tourism Organization
Tel.: +357-22-691254
Web: <http://www.visitcyprus.biz>

9. Marina and Port Redevelopment Project

On July 29, 2002 the Ministry of Commerce and Trade issued a tender for a marina in Larnaca. It proposed the development, management, operation and exploitation of the Marina by the private sector. This project would be awarded on a BOT basis and the Marina would be transferred to the Government Of Cyprus (GOC) after an agreed period of time (up to 48 years). Also in 2002, the Ministry of Communications and Public Works issues a Larnaca Port Redevelopment tender. This project was a Design-Build-Finance-Operate style contract (a DBFO project, public-private partnership) to redevelop the Port in Larnaca, to transform it into a major cruise-passenger facility. The development included a larger vessel-turning circle and the realignment of quays as well as development of the land within the port boundaries. The successful bidder would have undertaken the passenger and commercial port operations as well.

Because of little interest from investors, the GOC decided to cancel the two projects and has announced plans to combine them into one. The Larnaca Port Redevelopment and the Larnaca Marina projects will be re-released as one tender sometime in 2005 or 2006. With the new combined project, the preferred bidder will have the option to develop the area surrounding the Marina and the Port. Possible developments include the construction and operation of a hotel, restaurants, cafes, bars, etc. as well as a casino if by the time of tender release a political decision is made to legalize casino gambling.

Area Administered by Turkish Cypriots:

1. Famagusta “Municipality” Underground Sewage System

The Famagusta “Municipality” in the area administered by Turkish Cypriots would like to undertake an underground sewage system project. For a U.S. company to participate in this project, it will have to provide its own financing. The sewage system project will entail constructing and operating the system.

2. Kyrenia (Girne) Waste Removal Project

The Kyrenia “Municipality” is interested in hiring U.S. or other foreign companies to design and implement waste removal and management programs for the “municipality”. Financing the project is currently a problem for the “municipality” and creative financing mechanisms may be necessary to ensure the project’s success.

Resources

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Government-Controlled Area:

<http://www.cygazette.com>

Cyprus Government Official Gazette. Provides information on current tender opportunities

<http://www.cytanet.com.cy/cyta/tenders.html>

The Cyprus Telecommunications Authority (CyTA) website that lists all their current tenders and new tender opportunities.

<http://www.eac.com.cy>

The Electricity Authority of Cyprus (EAC) website that provides information regarding new and ongoing tender opportunities mostly in the energy sector.

Area Administered by Turkish Cypriots:

<http://www.devplan.org/>

“TRNC State Planning Bureau”

<http://www.trncgov.com>

“TRNC” website

Agricultural Sectors

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Government-Controlled Area:

Best Prospects in Agriculture:

1. Cereal (FOD)

In recent years, Cyprus has adopted increasingly tough standards regarding genetically modified organisms and products, in line with EU standards and regulations. This has

already virtually eliminated, as of 2001, exports of U.S. corn to Cyprus. It has also impacted other product categories, including animal fodder, which had substantial growth between 2000 and 2001, a significant drop in 2002 and a small rise in 2003. Non-biotech cereal imports have exhibited tremendous growth in 2003 and have continued growth potential.

Date Table (USD Million)	2002 (actual)	2003 (actual)	2004 (est.)
A. Total Consumption	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	1.69	8.59	12.0
D. Total Imports	82.0	88.1	94.0
E. Imports from the U.S.	6.1	20.9	25.7
Note: Cyprus imports of U.S. corn were slashed by more than 60 percent in the last couple of years, due to new regulations adopted by the Cyprus Grain Commission against biotech goods. The market however, is now liberalized and private companies are able to import grains. Cyprus just started to export cereals but in very low numbers.			

2. Edible Preparations (FOD)

Despite the fact that the Edible Preparations sector had declined for U.S. importers in Cyprus between 2001 and 2002, it has picked up again in 2003 and is starting to show significant increase.

Date Table (USD Million)	2002 (actual)	2003 (actual)	2004 (est.)
A. Total Consumption	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	2.2	7.6	9.0
D. Total Imports	46.9	52.0	55.0
E. Imports from the U.S.	1.5	3.0	5.5
Note: amounts noted for 2004 are unofficial estimates			

Area Administered by Turkish Cypriots:

Agribusiness is a potential growth industry in the area administered by Turkish Cypriots. The north produces surplus citrus, potatoes, and carob that could be processed into finished products for the local market and potentially exported abroad. The export of cereals and animal feed (chickens, cows, and goats/sheep) are also possible growth markets for U.S. exporters. According to Turkish Cypriot statistics, the area administered by Turkish Cypriots imported from the U.S. in 2004: USD 1,423,363 worth of corn, USD 1,020,355 worth of wheat, USD 398,858 worth of soybeans and USD 204,982 worth of almonds (without shells).

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Government-Controlled Area:

After more than a decade of progressive adjustments in its tariff regime, Cyprus adopted fully the EU's Common Customs Tariff (CCT) for third countries upon joining the EU on May 1, 2004. EU products enjoy a natural advantage in Cyprus due to the application of zero tariff rates. Applicable tariff rates for third countries can be reviewed at the following website (under "TARIC"):

http://europa.eu.int/comm/taxation_customs/dds/en/

Area Administered by Turkish Cypriots:

Tariff rates in north Cyprus tend to be higher than in the government-controlled area, depend on the product, and do not conform to the CCT. Tariffs are applied based upon the origin of the goods and are divided into two categories. Goods from Turkey and EU Member States are charged a lower rate than, goods from all other countries (including the United States)..

Trade Barriers

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Government-Controlled Area:

In the run-up to EU accession, Cyprus progressively dismantled trade barriers, becoming a more open and competitive economy. On the whole, this process has made Cyprus a more attractive place for U.S. business. For example, under the CCT, Cyprus now applies tariffs on U.S. products, which are generally lower than under the earlier regime. (An exception to this rule concerns cereals and other agricultural products.) Another example was the recent abolition of the 20 percent price preference granted to locally produced goods and services for public tenders. This provision, deemed contrary

to EU practice and the WTO's Government Procurement Agreement, has been abolished since April 30, 2003. Furthermore, Cyprus has eliminated quantitative restrictions and other non-tariff barriers to trade since January 1, 1996, when it started implementing fully the Uruguay Round agreement.

Despite the improvements, though, there are still certain areas where Cyprus could make further progress in the direction of trade liberalization. Some of the main issues are outlined below:

-- Pharmaceuticals. Pharmaceuticals must go through a registration process with the Ministry of Health that can take up to two years, unless previously registered in a EU Member State or with the European Medicines Agency. Cyprus does not recognize U.S. pharmacopoeia standards as equivalent to EU standards in most government tenders for pharmaceuticals, thus disadvantaging U.S. firms. Cyprus also imposes strict price controls on pharmaceuticals for the private health sector, including for non-prescription, over-the-counter medicines. Prices for pharmaceuticals in Cyprus are currently slightly lower than the EU average.

-- Biotech. Cyprus has adopted increasingly tough standards, which in some cases exceed EU requirements, regarding genetically modified organisms and products. Biotech products that are already licensed in the EU may circulate in Cyprus freely. However, biotech organisms must be approved, even if they are already licensed in other EU countries.

-- IPR Piracy Concerns. IPR legislation in Cyprus is, on the whole, modern and comprehensive, although enforcement should be further improved. Cyprus is TRIPS compliant and has completed harmonization of its IPR regime with EU requirements in view of its May 1, 2004 accession to the EU. Optical media piracy can be described as moderate but rising, characterized by in-house duplication by DVD rental shops. Audio piracy (mainly CDs) remains fairly constant. Software piracy, largely fuelled by small PC assembly and sale operations paying little attention to software licensing regulations, runs at a rather steep 55 percent rate and is considered to be the fifth highest in the EU.

-- Property Acquisition Restriction. Despite lifting most investment restrictions for non-EU residents on October 1, 2004, Cyprus has kept in place an important restriction concerning the acquisition of property. Non-EU residents are restricted to buying only a single piece of real estate for private use not exceeding three donums (around one acre). Exceptions can be made for projects requiring larger plots of land (i.e. beyond that necessary for a private residence) but are difficult to obtain and are rarely granted. Cyprus' accession into the EU on May 1, 2004 has resulted in an easing -- but not complete abolition -- of restrictions on the acquisition of property by EU residents. EU residents (natural and legal persons) are now free to acquire property for commercial use on the island. However, EU residents not ordinarily resident in Cyprus continue to be restricted to buying only a single piece of property for private use -- just like non-EU residents. Cyprus has obtained a temporary derogation from the EU acquis communautaire on this issue for five years, i.e. until May 2009.

-- Other investment restrictions. A law restricting investment in tertiary education by non-EU residents or entities is technically still in force. However, it is expected that the government will soon lift this restriction, as part of its ongoing overhaul of tertiary education legislation. Cyprus also abides by an EU regulation restricting non-EU

ownership of local mass media companies to 5 percent or less. However, any non-EU company wishing to invest in these sectors in Cyprus can do so through a company registered elsewhere in the EU.

Import Requirements and Documentation

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Government-Controlled Area:

The GOC Department of Customs requires the following documents for clearing products originating from non-EU countries: delivery order for the goods, an invoice and a packing list. Various other documents according to the nature of each import will be required. A health certificate and ingredients list is required for imported food products.

Area Administered by Turkish Cypriots:

Firms wishing to engage in the import business in the area administered by Turkish Cypriots must register with the Chamber of Commerce or with the Chamber of Industry. They must also obtain an import permit from the "Department of Trade" in the "Ministry of Economy and Tourism."

U.S. Export Controls

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Exports of U.S. military goods to Cyprus are prohibited. Additionally, exports of U.S. dual-use goods are restricted.

Temporary Entry

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Government-Controlled Area:

The temporary entry of goods allows the importation without payment of duty. This facility is extended to motor vehicles, goods for processing or repair prior to their re-exportation, goods for exhibition, and commercial samples, provided they do not change their form or character. The initial temporary entry permit, obtained at the time of importation, is valid for three months and can be extended by application to Customs headquarters.

Labeling and Marking Requirements

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Government-Controlled Area:

In 1995, Cyprus adopted a strict law on the labeling of food products, requiring that the product name, ingredients, net contents, and country of origin be in the Greek language, in line with EU norms. A sticker with a Greek translation on the product is acceptable, provided it does not conceal the original label and it has the approval of the Ministry of Commerce, Industry, and Tourism. Compliance with this law has been mandatory for all food products since February 1, 1997.

The "Safety of Consumer Products Law" of 1994 outlines the legal responsibilities of those involved in the production or distribution of consumer products requiring safety warnings (including household appliances, pharmaceuticals, and many other products). One of these responsibilities concerns the proper labeling and packaging of consumer products to render them completely safe to the public. This includes having the necessary safety warnings for consumer products in Greek. The Government has redoubled efforts for stricter enforcement of the law.

Area Administered by Turkish Cypriots:

Labeling and marking requirements are much looser in north Cyprus than in the government-controlled area and are not yet in line with EU norms. For example, mandatory labeling in Turkish is not a requirement for imported products, as long as the label is in English or one of the other main European languages.

Prohibited and Restricted Imports

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Government-Controlled Area:

The importation of certain items is prohibited. The principal ones are listed below:

- Rifles and repeating firearms, automatic and semi-automatic, repeating and semi-repeating shotguns, air guns, air rifles, and air pistols of a caliber exceeding 0.177 inches;
- Narcotics;
- Seditious publications;
- Counterfeit or false coins or currency notes;
- Goods bearing a false trade mark;
- Agricultural products, such as fresh vegetables, fruits, and plants without a phytosanitary certificate by the Ministry of Agriculture; and
- Dogs, cats, tropical fish, parrot and other birds may be imported into Cyprus after the issuance of a special permit from the Director of the Veterinary Services.

Area Administered by Turkish Cypriots

Importation of the following items is prohibited:

- Rifles and repeating firearms, automatic and semi-automatic, repeating and semi-repeating shotguns;
- Narcotics;
- Products containing asbestos;
- Counterfeit or false coins or currency notes;
- Agricultural products grown or produced in north Cyprus, such as in-season fresh produce, dairy products (such as yogurt or halloumi cheese) and poultry. Turkish Cypriot authorities will allow importation of fresh produce not grown domestically or out of season, provided the shipment has a certificate of origin;
- UK origin animal products are subject to restrictions due to concerns about mad cow disease;

-- Domesticated animals may be imported subject to a brief quarantine period.

Customs Contact Information

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Government-Controlled Area:

Customs duties are regulated by a tariff system based on the Harmonized Commodity Description and Coding system (HS). Goods are classified according to their composition, description and purpose, and carry various rates of duty. In addition to tariffs, the following products are subject to relatively steep excise taxes: cigarettes and other tobacco products, fuel products, cars and motorcycles, fizzy soft drinks, smoked salmon, caviar, fur clothing, water faucets made of or coated by precious metals, crystal and porcelain products, imitation cheese (e.g. cheese made of soy substitutes). Notably, excise taxes apply to the above products regardless of origin (i.e. whether they originate from the EU or not, as well as for products made in Cyprus). Additionally, Cyprus imposes a 15 percent value added tax (VAT) on most goods and services. The GOC Department of Customs has the following website:

<http://www.mof.gov.cy/mof/customs/bccj6ap3geg.nsf/Main?OpenFrameSet>

Area Administered by Turkish Cypriots

The harmonized system is also used in the area administered by Turkish Cypriots. However, tariffs in north Cyprus are not harmonized with the EU's CCT and they tend to be higher. A 15 percent VAT is imposed on most goods and services. The "Department of Customs" has the following website:

<http://www.kktcmaliye.com/>

Additional information on customs procedures in the area administered by Turkish Cypriots can be obtained from Mr. Mustafa Deveci, Customs Officer, "Ministry of Finance," tel. 00-90-392-2283116

Standards

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Overview

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Government-Controlled Area:

Generally, Cypriot standards and regulations are fully harmonized with corresponding EU provisions, particularly since May 1, 2004. Harmonization with EU directives and standards affects many products but also many services sectors. For example, in 1997,

Cyprus adopted a modern banking law, conforming to the EU's directives for banking supervision, adoption of a modern patents law, as well as adoption of minimum EU programming requirements for television stations. Additionally, several semi-government organizations, such as the Cyprus Telecommunications Authority and the Electricity Authority of Cyprus, generally require tendering companies to meet applicable ISO standards.

Area Administered by Turkish Cypriots

The area administered by Turkish Cypriots lags far behind the government-controlled area in terms of harmonization with EU standards and directives.

Standards Organizations

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Government-Controlled Area:

In 2002, the GOC established the Cyprus Organization for the Promotion of Quality to promote and manage the national system for standardization. This organization is also responsible for managing Cyprus' national accreditation and technical notifications systems. The following website provides additional information on this organization and its scope:

http://www.cys.mcit.gov.cy/en_main.html

Furthermore, most professional organizations have standards for their members.

Area Administered by Turkish Cypriots

The "Cyprus Turkish Standards Institution" is in charge of standards in the area administered by Turkish Cypriots. No website is available yet but Director Mrs. Ayse Cosar can provide additional information on tel. 00-90-392-2279639 or 40.

Product Certification

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Government-Controlled Area:

An important aspect of Cypriot standards concerns the requirement for CE marking on certain products. (Note: "CE" certification stands for "Communaute Europeenne.") This is the standard used in EU countries to indicate conformity to European consumer product safety standards for several product categories. Currently, the EU requires CE marking on all aspects of nine product categories and on some aspects of 14 product categories, as follows:

Full CE marking is required for:

1. Construction products
2. Electrical appliances
3. Gas appliances
4. Machinery
5. Medical devices

6. Pressure vessels
7. Protective equipment
8. Recreational craft
9. Toys

CE marking required for certain aspects of the following products:

1. Aerosols
2. Asbestos products
3. Asbestos brake lining
4. Baby dummies (pacifiers)
5. Hazardous chemicals
6. Childproof packaging
7. Cosmetics
8. Food imitations
9. Ornamental lamps
10. Tobacco
11. Chewing tobacco
12. Benzene
13. Tires
14. Vehicle lamps.

Area Administered by Turkish Cypriots:

There is no requirement for CE marking in the area administered by Turkish Cypriots.

Trade Agreements

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Government-Controlled Area:

Since joining the EU on May 1, 2004, Cyprus has also adopted fully EU trade agreements with third countries.

Web Resources

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Cyprus Organization for the Promotion of Quality

http://www.cys.mcit.gov.cy/en_main.html

Department of Customs:

<http://www.mof.gov.cy/mof/customs/bccj6ap3geg.nsf/Main?OpenFrameSet>

EU Tariffs:

http://europa.eu.int/comm/taxation_customs/dds/en/

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Government-Controlled Area:

Cyprus, a full EU member since May 1, 2004, has a liberal climate for investments. On October 1, 2004, the GOC lifted most investment restrictions concerning non-EU residents, completing earlier reforms (introduced in January 2000) concerning EU investors. Through this decision, the GOC has lifted most capital restrictions and limits on foreign equity participation/ownership, thereby granting national treatment to foreign investors. Non-EU investors (both natural and legal persons) may now invest freely in Cyprus in most sectors, either directly or indirectly (including all types of portfolio investment in the Cyprus Stock Exchange). The only exceptions concern primarily the acquisition of property and, to a lesser extent, restrictions on investment in the sectors of tertiary education and mass media (see below).

Under the new policy, there is no mandatory screening of foreign investment. Foreign investors can register a company directly at the Registrar of Companies through qualified accountants or lawyers, a procedure that is exactly the same for local residents. Similarly, foreign investors may now acquire shares in an existing Cypriot company directly, without earlier authorization by the Central Bank. They are expected, however, to inform the Registrar of Companies about the change in ownership status. Foreign investors are still expected to obtain all permits that may be necessary under Cypriot law to do business in Cyprus. For example, they may need to obtain a municipal permit to set up a kiosk or abide by prevailing health standards to own and operate a catering company, etc. Furthermore, non-EU residents wishing to take up employment in Cyprus must obtain work permits issued by the Migration Department.

The most significant hurdle remaining in place for foreign investors concerns the acquisition of real property on the island. Investors who are not resident in a EU member state are generally restricted to buying only a single piece of real estate for private use not exceeding three donums, i.e. normally for a holiday home or office (one donum equals 1,338 square meters). Exceptions can be made for projects requiring larger plots of land (i.e. beyond that necessary for a private residence) but are difficult to obtain and are rarely granted. Cyprus' accession into the EU on May 1, 2004 has resulted in an easing -- but not complete abolition -- of restrictions on the acquisition of property by EU residents. Residents of EU member states (natural and legal persons) are now free to acquire property for commercial use on the island. However, EU residents who are not also residents of Cyprus continue to be restricted to buying only a single piece of property for private use -- just like non-EU residents. The GOC has obtained a temporary derogation from the EU *acquis communautaire* on this issue for five years, i.e. until May 2009.

A law restricting investment in tertiary education by non-EU residents or entities is technically still in force. However, it is expected that the government will soon lift this restriction, as part of its ongoing overhaul of tertiary education legislation. Cyprus also abides by a EU regulation restricting non-EU ownership of local mass media companies to 5 percent or less. However, any non-EU company wishing to invest in these sectors in Cyprus can do so through a company registered elsewhere in the EU.

Area Administered by Turkish Cypriots:

Turkish Cypriot authorities actively encourage foreign investment, giving preference to foreign investments facilitating the transfer of modern technology, know-how and new management technologies, as well as investment in export-oriented industries. The sector of tourism seems to offer the most potential. There are no particular restrictions for specific sectors, except perhaps for projects deemed threatening to "national security." As noted earlier, complications arising from the lack of international recognition for the "TRNC" and the continuing non-resolution of the Cyprus problem should be taken into consideration by the foreign investor (see section on Protection of Property Rights for additional information.)

Conversion and Transfer Policies

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In recent years, Cyprus has progressively lifted restrictions on the transfer of funds in and out of the country pertaining to foreign investors. Currently, there are no restrictions on remittances for investment capital, earnings, loan repayments, lease payments or other business transactions.

Expropriation and Compensation

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The events of 1974 have resulted in a number of outstanding investment disputes involving U.S. persons. Resolution of these disputes prior to a settlement of the Cyprus problem seems unlikely.

Government-Controlled Area:

In the government-controlled area, nationalization has never been government policy and it is not contemplated in the future. Private property is only expropriated for public purposes in a non-discriminatory manner and in accordance with established principles of international law. In cases where expropriation is necessary, due process is followed and there is transparency of purpose. Investors and lenders to expropriated entities receive compensation in the currency in which the investment is made. In the event of any delay in the payment of compensation, the Government is also liable for the payment of interest based on the prevailing 6-month LIBOR for the relevant currency.

The Turkish Cypriot Property Management Service, established in 1991, administers properties of Turkish Cypriots who are not ordinarily residents of the government-controlled area. This service acts as the temporary custodian for such properties until termination of division of the island. The TCPMS is mandated to administer properties under its custodianship "in the manner most beneficial for the owner." Furthermore, ownership of TC properties cannot change (unless for inheritance purposes) except in exceptional cases when this is regarded as beneficial for the owner or necessary for the public interest. Compensation for Turkish Cypriot property used for the public benefit, as in the case of Larnaca airport or for highways, has been suspended as long as the division of the island continues.

Area Administered by Turkish Cypriots:

The "TRNC constitution" guarantees the right of private property in the area administered by Turkish Cypriots, while it does not discriminate between citizens and aliens. Furthermore, Turkish Cypriot authorities state that nationalization has never been part of their policy and that they do not contemplate any such action in the future. However, Turkish Cypriot authorities do not grant any protection for Greek Cypriot properties in the north. (See section on "Protection of Property Rights.")

The 1974 events have resulted in a number of claims of U.S. persons in north Cyprus, even though U.S. interests were not specifically targeted. The most well-known case concerns a U.S. mining company that was forced to terminate its operations in 1974. The company's assets were confiscated in 1975 without compensation by military and civilian authorities representing Turkey and the Turkish Cypriot administration.

Dispute Settlement

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Government-Controlled Area:

There have been no cases of investment disputes or outstanding expropriation/nationalization cases in recent years. Effective means are available for enforcing property and contractual rights. Under the Arbitration Law of Cyprus, an arbitrator is appointed when the parties' attorneys cannot settle a dispute between the parties to an agreement. The court may enforce an arbitral award in the same way as a judgment. In 1979, Cyprus became a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and a foreign award may be enforced in Cyprus by an action in common law. Cyprus is also a signatory to the Convention on the Settlement of Disputes Between States and Nationals of Other States.

Government-Controlled Area:

Cyprus does not have a rigid system of performance requirements for foreign investment across the board and has signed the WTO's Trade-Related Investment Measures (TRIMS) agreement. Applications by non-EU residents for investment in Cyprus are judged on their own merit.

The investment incentives currently available in the government-controlled area of Cyprus are summarized below:

I. Direct Investment Incentives:

- Relatively low corporate tax; resident companies are taxed at the rate of 10.0 percent;
- Annual depreciation allowances;
- Carry-forward of losses and group relief provided (i.e. for different companies belonging to the same group);
- Exemption from customs and excise charges for operations in the Larnaca Industrial Free Zone; and
- Partial exemption of salaries of non-resident employees for a period of three years from the date of first employment in the Republic, equal to 20 percent of the emoluments or CP 5,000, whichever is lower.

II. Investment Incentives Concerning Operations Abroad

- Income derived from operations abroad is totally exempt from corporation or income tax.
- Non-resident employees' salaries are partly exempt from tax for a period of three years after their first employment in the Republic, in an amount equal to 20 percent or CP 5,000, whichever is lower.
- Emoluments of employees rendering services outside Cyprus to a non-resident person or entity, for periods exceeding 90 days within an assessment year, are exempt from tax.
- Immovable property outside the Republic is not subject to any capital gains tax or estate duty.

Additionally, Cyprus has concluded treaties for the avoidance of double taxation covering 40 states (including one with the United States, effective January 1, 1986). These treaties offer significant possibilities for international tax planning.

III. Investment Incentives for Ship Owning Companies:

The Cyprus Register compares favorably with other open registers in terms of the registration costs and annual fees vis-à-vis the level of services provided. For example,

the Cyprus Department of Merchant Shipping responds quickly to requests by foreign ship owners for technical support or assistance in dealing with the authorities in foreign ports (such as obtaining an exemption certificate for a crew member who falls sick during a journey). Other important incentives are:

- Zero tax on profits from the operation of a Cypriot registered vessel and on dividends received from a ship ownership company.
- Zero capital gains tax on the sale or transfer either of a Cypriot registered vessel or of the shares of a ship ownership company.
- No estate duty.
- No income tax on wages and benefits of officers and crew.
- No stamp duty on ship mortgage deeds or other security documents.

For additional information, please contact Mr. Serghios Serghiou, Director, Cyprus Department of Merchant Shipping at:

Kyllinis Street
Mesa Geitonia
CY 4007 Limassol
CYPRUS
Tel: 357-25-848100
Fax: 357-25-848200
E-mail: dms@cytanet.com.cy
Internet Homepage: www.shipping.gov.cy

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots offers generous incentives for investing on "state property." Specifically, after an initial screening, investments granted an Incentive Certificate might benefit from the leasing of "state-owned" land and buildings at very preferential rates.

However, prospective investors should be warned about the possible risks associated with such an endeavor. The "TRNC Constitution" -- Article 159 (1) (b), May 7, 1985 -- defines "state property" as: "All immovable properties, buildings and installations which were found abandoned on 13 February 1975 when the "Turkish Federated State of Cyprus" was proclaimed or which were considered by law as abandoned or ownerless after the above-mentioned date, or which should have been in the possession or control of the public even though their ownership had not yet been determined ... and ... situated within the boundaries of the "TRNC" on 15 November 1983 ... notwithstanding the fact that they are not so registered in the books of the Land Registry Office."

The Republic of Cyprus does not accept the above definition and does not recognize title changes in the north since 1974. As stated under the "Protection of Property Rights" section of this report, potential investors should be cautious and obtain independent legal advice concerning purchasing or leasing property in the north.

The area administered by Turkish Cypriots also offers the following investment incentives:

-- Investment Allowance. The "TRNC State Planning Organization (SPO)" offers an investment allowance in the form of Incentive Certificates equivalent to: (a) 200 percent on the initial fixed capital investment for investments in Priority Development Regions, such as the regions of Guzelyurt (Morphou) and Karpaz (Karpasia) and (b) 100 percent on the initial fixed capital investment in other sectors.

-- Exemption from Custom Duties and Funds. Importation of machinery and equipment for an investment project are exempt from every kind of custom duty, in accordance with the Incentive Certificate. Regulations on importation of raw materials and semi-finished goods are specified by the "Prime Ministry" and subject to the approval of the "Council of Ministers."

-- Zero VAT Rate. Both imported and locally purchased machinery and equipment is subject to a zero VAT rate, in accordance with the Incentive Certificate.

-- Fund Credits. Long term and low rate investment credits are available from the Investment and Export Incentive Fund.

-- Exemption from Construction License Fee and Reduced Mortgage Fees. Investments granted an Investment Certificate are exempt from all kinds of construction license fees and taxes and also benefit from reduced stamp duty and mortgage fees.

-- Other Tax Allowances. (a) A 50 percent allowance is given on the Initial Investment Allowance. This rate can increase up to 100 percent for priority sectors and regions, with a "Council of Ministers" decision. (b) Annual wear and tear allowances for machinery and equipment (10 percent); motor vehicles (15-25 percent); industrial buildings and hotels (4 percent); shops and residences (3 percent), furniture and fixtures (10 percent). (c) Other tax allowances include a VAT exemption for exports of all goods and services and a 20 percent exemption from corporate tax for exports of goods and services.

Protection of Property Rights

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Government-Controlled Area:

Cypriot law imposes significant restrictions on the foreign ownership of real property. Persons not ordinarily resident in Cyprus (whether of EU or non-EU origin) may purchase only a single piece of real estate for private use (normally a holiday home). Exceptions can be made for projects requiring larger plots of land (i.e. beyond that necessary for a private residence) but are difficult to obtain and are rarely granted. Cypriot legislation limiting the acquisition of land in Cyprus by EU residents is not in line with EU requirements. The EU granted Cyprus a temporary derogation from the EU *acquis communautaire* on this issue, lasting for five years after accession (i.e. until May 2009).

The legal requirements and procedures for acquiring and disposing of property in Cyprus are complex but professional help by real estate agents and developers can ease the

burden of dealing with the GOC bureaucracy. This procedure involves Central Bank verification that funds from abroad are to be used by non-EU residents to purchase real estate. It also involves final approval by the Council of Ministers, which is given routinely for holiday homes.

The Government's Department of Lands and Surveys prides itself in keeping meticulous records and in following internationally accepted procedures (which have changed little since British colonial times). Non-residents are allowed to sell their property and transfer abroad the amount originally paid, plus interest or profits without restriction.

The Adoption of the Copyright Law on January 1, 1994 and the subsequent adoption of the Patents Law on April 2, 1998 were important milestones in establishing a modern legislative framework for the protection of intellectual property on the island. These two laws have helped Cyprus comply with its obligations under the WTO TRIPs agreement. Cyprus is not currently listed on the U.S. "Special 301" list of countries effectively denying adequate IPR protection to U.S. persons. However, the U.S. Embassy in Nicosia consistently receives complaints about IPR piracy from representatives of the business community, which attributes the problem to sporadic implementation of these laws.

The Turkish Cypriot Property Management Service, established in 1991, administers properties of Turkish Cypriots who are not ordinarily residents of the government-controlled area. This service acts as the temporary custodian for such properties until termination of the abnormal political situation. The TCPMS is mandated to administer properties under its custodianship "in the manner most beneficial for the owner." Most importantly, ownership of TC properties cannot change (unless for inheritance purposes) except in exceptional cases when this is beneficial for the owner or necessary for the public interest.

Area Administered by Turkish Cypriots:

Property remains one of the key outstanding issues that constitute the Cyprus problem. The UN settlement plan, which offered the most feasible basis for an overall political settlement to date but was rejected by the Greek Cypriots, proposed quite complex arrangements regarding property. These arrangements can be reviewed at the following website: www.annanplan.org

The absence of a political settlement and the lack of international recognition for the "TRNC" pose an inherent risk for the foreign investor interested in buying property in north Cyprus. Potential investors should be cautious and obtain independent legal advice concerning purchasing or leasing property in the north. Unless the property in question was in Turkish Cypriot hands prior to 1974, it will be very unlikely that the title to the land will be free and unchallengeable. Property issues will be at the heart of any settlement of the Cyprus problem and will involve the return of property and/or compensation to pre-1974 owners. The Republic of Cyprus does not recognize title changes in the north since 1974. Estimates of the percentage of land in the north that belonged to Greek Cypriots pre-1974 run as high as 85 percent. Determining the history of land in the north can be difficult. Foreign buyers of land may also face legal challenges from pre-1974 owners either in Republic of Cyprus courts or courts in their country of residence.

Expectations for a comprehensive settlement associated with the Annan Plan, and a recent "TRNC" law liberalizing property transfer procedures for foreign investors have provided the impetus for an unprecedented boom in the property market of north Cyprus over the past two years. Applications by foreign nationals for the purchase of property in the north corresponded to a total area of 2.1 million square meters in 2004, compared with only 309,000 square meters in 2001. The value of property sales in 2004 was unofficially estimated at up to USD 2 billion.

Intellectual property rights are not adequately protected in the area administered by Turkish Cypriots, while patent and copyright legislation is currently being drafted.

Transparency of Regulatory System

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Government-Controlled Area:

In the government-controlled area, existing procedures and regulations affecting business (including foreign investment regulations, outlined in section A.1.) are generally transparent and applied in practice without bias. In some cases, U.S. companies competing on government tenders have expressed concerns about lack of transparency and the appearance of bias in decisions made by the technical committees responsible for preparing specifications and reviewing tender submissions. The U.S. Embassy monitors these tenders closely to ensure a level playing field for U.S. businesses.

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots has made strides in recent years in terms of adopting a more transparent regulatory system. However, the level of transparency still lags behind European or U.S. standards. A common complaint among businessmen in north Cyprus is that the court system is overloaded, resulting in long delays.

Efficient Capital Markets and Portfolio Investment

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Government-Controlled Area:

The decision to abolish the interest rate ceiling as of January 1, 2001, and to lift gradually exchange controls for residents has improved the efficiency of the capital market in Cyprus. Additionally, the local stock exchange, launched officially in 1996, has the potential to enhance the local capital market, despite the 1999-2001 boom-and-bust cycle.

The permit issued by the Central Bank to non-EU resident investors specifies the activities of the firm and imposes certain conditions with regard to financing arrangements. One of these conditions is that equity capital issued to non-EU resident investors must be funded from abroad.

Terms for foreign loans must be approved by the Central Bank. Interest and other costs must be at market prices. Royalties and other payments for the use of patents, know-

how, brand names, etc., must be approved in advance, but then may be readily remitted abroad.

The Cyprus Stock Exchange (CSE) experienced a boom-and-bust cycle between 1999 and 2001, typical of emerging stock markets. It soared roughly eightfold in 1999 only to lose 90 percent of its value since then. This cycle saw the index follow a textbook bell-shaped curve, rising from 90 points at the end of 1998 to over 800 points near the end of 1999, only to plunge back to less than 100 points by the end of 2001, where it remains today. A study into the causes of the CSE crash, released by the House of Representatives in June 2002, implicated a number of actors and systemic flaws but offered little consolation to the island's thousands of small investors. Another study by the Central Bank helped explain the relatively mild impact of the CSE crash on the Cypriot economy at large. The second study found that most investors used their own funds to invest in the CSE (as opposed to borrowed funds), and that they had no pressing need for the money invested. As a result, most investors sustained only paper losses, and have not substantially modified their consumption patterns. However, local investor confidence was shaken to the core. Even though most of the underlying weaknesses in the system have been rectified over the last two years, local investors remain largely on the sidelines.

Area Administered by Turkish Cypriots:

The financial system in north Cyprus is linked closely with that of Turkey. The vast majority of borrowing comes from domestic sources and Turkey. There is no stock exchange in the area administered by Turkish Cypriots.

Political Violence

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There have been no incidents of politically motivated serious damage to foreign projects and or installations since 1974. However, it behooves the foreign investor who is interested in Cyprus to have at least a basic understanding of the existing political situation on the ground.

Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'etat directed from Greece. Since 1974, the southern part of the island has been under the control of the internationally recognized Government of the Republic of Cyprus. The northern part of the island is ruled by a Turkish Cypriot administration. In 1983, that administration proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC"). The "TRNC" is not recognized by the United States or by any other country except Turkey. The two parts are separated by a buffer zone patrolled by United Nations forces. A substantial number of Turkish troops remain on the island.

There has been no serious inter-communal violence since 1974, other than an isolated incident in 1996 resulting in the deaths of two Greek-Cypriot civilians during a demonstration in the buffer zone. The partial lifting of travel restrictions between the two parts of the island in April 2003 has allowed movement of persons -- almost six million crossings to date -- between the two parts of the island. In August 2004, new EU rules allowed goods produced in the north to be sold in the south provided they met EU rule of origin requirements. In May 2005, the Turkish Cypriot "authorities" adopted a new regulation "mirroring" the EU rules and allowing certain goods produced in the south to

be sold in the north. Nevertheless, trade between the two communities remains limited. Suppliers of imported products in the government-controlled area cannot directly serve the Turkish Cypriot market and vice versa.

A plan for the reunification of the island, drafted under the auspices of the UN, was submitted to the two communities for approval in separate but simultaneous referenda on April 24, 2004. The plan was approved by the majority of Turkish Cypriots but rejected by the majority of Greek Cypriots.

On May 1, 2004, the Republic of Cyprus joined the European Union as a full member. The EU *acquis communautaire* has been temporarily suspended in the northern part of the island due to the unresolved political situation

Corruption

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Government-Controlled Area:

In the government-controlled area of Cyprus, corruption, both in the public and private sectors, constitutes a criminal offense. The main laws dealing with this problem are listed below:

- Criminal Code, Chapter 154: contains provisions related to corruption in the public sector, and specifically to extortion, abuse of office and receiving property to show favor.
- The Prevention of Corruption Law, Chapter 161: deals with acts of corruption by public and private employees both in the public and private sectors.
- The Customs and Excise Law, No. 82 of 1967: contains provisions related to public corruption, both active and passive.
- Law Number 65 of 1965: provides for the prosecution of persons holding public office who "acquire property by abuse of power."
- Three laws passed in 2004 -- 49(I), 50(I), and 51(I) -- oblige senior government officials, politicians, members of parliament, and municipal officials to disclose personal financial details every year as long as they hold office and for three years thereafter. An independent committee, with participation from professional associations representing local accountants and attorneys, audits the financial statements of public persons. Implementation of this law has already started and the first financial statements by public persons have been submitted in early 2005.
- A new law on public tenders was recently enacted, which contained detailed rules strengthening the openness and transparency of public procurement and minimizing the opportunities for corruption.

Furthermore, under Cyprus' Constitution, the Auditor General controls all disbursements and receipts and has the right to inspect all accounts on behalf of the Republic. In his Annual Report, the Auditor General identifies specific instances of mismanagement or deviation from proper procedures in the civil service. Since 1991, Cyprus has also

introduced the institution of the "Ombudsman," who oversees the acts or omissions of the administration.

About three years ago, a senior civil servant in the immigration department received a prison sentence for corruption and financial gains from abuse of power. Another case, involving charges of corruption against a mayor, is currently on trial.

Cyprus cooperates closely with EU and other international authorities on fighting corruption and providing mutual assistance in criminal investigations. Cyprus has signed the European Convention on Mutual Assistance on Criminal matters and is in the process of ratifying it. Cyprus also uses the foreign Tribunal Evidence Law, Chapter 12, to execute requests from other countries for obtaining evidence in Cyprus in criminal matters. Additionally, Cyprus is an active participant in the Council of Europe's Multidisciplinary Group on Corruption. As such, it has already signed and ratified (on January 27, 1999 and January 17, 2001 respectively) the Criminal Law Convention on Corruption and has joined the "Group of States Against Corruption-GRECO." Furthermore, it diligently attends GRECO meetings.

Additionally, Cyprus' democratic regime, transparent procedures and open, lively press act as a further deterrent against corruption in the civil service. The Embassy is not aware of any U.S. firms identifying corruption as a significant obstacle to foreign direct investment in Cyprus; however, in some cases, U.S. companies competing on government tenders have expressed concerns about lack of transparency and the appearance of bias in decisions made by the technical committees responsible for preparing specifications and reviewing tender submissions.

Area Administered by Turkish Cypriots:

Although the Embassy is unaware of any recent complaints from U.S. businessmen involving corrupt practices in the north, anecdotal evidence suggests that corruption continues to be a factor in the economy, despite recent "government" efforts to introduce standards of transparency in licensing and tendering.

Bilateral Investment Agreements

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Government-Controlled Area:

The Government of Cyprus has 15 bilateral agreements for the encouragement and reciprocal protection of investments with the following countries: Armenia, Belgium, Bulgaria, Belarus, China, Egypt, Greece, Hungary, India, Israel, Lebanon, Poland, Romania, and the Seychelles. (An investment agreement with Russia is currently in the process of being formally nullified because the Russian Duma never ratified it.) Another 40 bilateral investment agreements are currently under negotiation. Cyprus does not have a bilateral investment protection agreement with the United States; however, the Cypriot Ministry of Foreign Affairs and the U.S. State Department have exchanged letters on the reciprocal protection of investments.

Cyprus has entered into bilateral double tax treaties with a total of 40 countries. The main purpose of these treaties is the avoidance of double taxation of income earned in any of these countries. Under these agreements, a credit is usually provided for tax

levied by the country in which the taxpayer resides for taxes levied in the other treaty country. The effect of these arrangements is normally that the taxpayer pays no more than the higher of the two rates. Cyprus has such agreements with Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, China, the Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Kyrgyzstan, Malta, Mauritius, Moldova, Norway, Poland, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, Sweden, Syria, Tajikistan, Thailand, Ukraine, United Kingdom, United States, and Yugoslavia. Treaties with Algeria, Estonia, and Kazakhstan are at various stages of negotiations.

OPIC and Other Investment Insurance Programs

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The U.S. Overseas Private Investment Corporation (OPIC) is not active in Cyprus, but OPIC finance and insurance programs are open and may be useful when bidding on BOT contracts. The Government of Cyprus has started a campaign to attract U.S. corporate investors. Cyprus is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

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Government-Controlled Area:

The local labor force in the government-controlled area of Cyprus is estimated at 325,000 persons. Of these, 7.9 percent worked in agriculture, 11.5 percent in manufacturing and utilities, 9.3 percent in construction, and 71.2 percent in services (including 28.3 percent in trade and tourism).

Since 1977, the rate of unemployment in Cyprus has not exceeded 4.0 percent of the economically active population, significantly lower than the more than 10.0 percent EU average rate of unemployment. Unemployment stood at 3.4 percent in 2004, about the same as the year before. Under these conditions of full employment, employers often resort to hiring a substantial number of foreign workers.

Cyprus has a high per capita rate of college graduates, including many U.S. graduates, and offers an abundant supply of white-collar workers. English is widely spoken, a side effect of Cyprus' experience as a British colony (until 1960).

In response to labor shortages in recent years, more women have joined the labor force (women are now about 44.0 percent of the labor force, compared with 33.4 percent in 1980) and a growing number of Cypriots are repatriating from abroad. There are also 39,000 legally registered foreign workers in Cyprus, including about 10,000 live-in domestic servants. The number of illegal workers in Cyprus is estimated at around 30,000. Existing legislation requires that foreign workers receive at least the minimum wage.

The legislated minimum wage for sales assistants, clerks, paramedical, and child care staff is currently CP 320 (USD 672) per month, rising to CP 340 (USD 714) after 6 months' employment. Neither amount is sufficient to provide a decent standard of living

for a worker and family. All other occupations, including unskilled workers, are covered under collective bargaining agreements between trade unions and employers within the same economic sector, and the wages set in these agreements are significantly higher than the legislated minimum wage.

Currently, about 71.0 percent of the labor force is unionized (compared to 80.0 percent in 1980), which gives the unions a strong say in collective agreements. Head-on confrontations between management and unions do occur, although long-term work stoppages are rare. A recent study by Harvard University covering 60 countries found that union power in Cyprus was perceived to be "the strongest in the world," while labor relations were perceived to be "relatively peaceful." International business companies are not required to hire union labor. The continued existence and method of calculating the current economy-wide, twice per year, Cost of Living Allowance (COLA) for employees is a contentious issue between unions and employers. Nonetheless, this practice is not expected to change in the near-term.

Productivity, measured as the ratio of real value added to gainful employment, rose by 1.7 percent in 2003, compared with an increase of 0.8 percent the year before. At the same time, real wages increased by 1.5 percent in 2003. The relatively faster growth of productivity over wages in 2003 had a positive, albeit marginal, effect on the country's competitive position.

Area Administered by Turkish Cypriots:

The labor force in the area administered by Turkish Cypriots is estimated at 95,025. The breakdown of employment by sector is as follows: 15.1 percent in agriculture, 9.5 percent in manufacturing and utilities, 17.5 percent in construction, 57.9 percent in services (including 11.4 percent in trade and tourism). The minimum wage in the area administered by Turkish Cypriots was TL 500 million (USD 332) in 2003. The rate of unemployment is estimated at around 9 percent

Foreign-Trade Zones/Free Ports

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Government-Controlled Area:

Cyprus has three Free Zones (FZs). The first two, located in the two main ports of Limassol and Larnaca, are used only for transit trade, while the third, located near the international airport in Larnaca, can also be used for repacking and reprocessing. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FZs are not subject to any import duties, VAT or excise tax. FZs are governed under the provisions of relevant EU and Cypriot legislation. The Department of Customs has jurisdiction over all three areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods. Additionally, the Ministry of Commerce, Industry and Tourism has management oversight over the Larnaca FZ.

Companies given permission to locate in the Larnaca FZ take advantage of the fact that the FZ operates outside the normal jurisdiction of Cyprus Customs. This allows the company to import raw materials or goods for transshipment without paying the normal import duty and VAT. The only limitation is that the goods must be sold or re-exported

strictly outside the EU. If the company wants to do business with the local market, it must obtain permission from Customs and pay the appropriate duties.

The procedure for applying is straightforward. Interested companies apply to the Ministry of Commerce, Industry, and Tourism (contact info given below), laying out their investment plans. The Ministry reviews the application and makes a recommendation. An inter-agency Council, with participation from the Central Bank of Cyprus and the Ministry of Finance, reviews the application and the Ministry of Commerce, Industry and Tourism issues approval. Contact information follows:

Mr. George Michael
Commerce and Industry Officer A'
Ministry of Commerce,
Industry and Tourism
1421 Nicosia
Tel. 357-22-867235
Fax. 357-22-375120
E-mail: mcindustry2@cytanet.com.cy
Website (still under construction):
<http://www.mcit.gov.cy/mcit/trade/trade.nsf/Main?OpenFrameSet>

Foreign Direct Investment Statistics

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Government-Controlled Area:

It was not until 1986 that the GOC established an official policy on foreign direct investment, encouraging significant investments to take place. Additionally, the GOC's decision in January 2000 to lift incoming direct investment restrictions for EU residents has helped accelerate the flow of incoming direct investment from the EU in recent years.

Since 2002, the Central Bank has started using a new definition concerning the term "resident" for Balance of Payments and investment purposes, in line with IMF and EU guidelines. Under this definition, a resident is a person who lives in Cyprus for more than a year or a company with a physical presence (i.e. an established office) in Cyprus for more than a year. The new definition includes companies with foreign shareholding with a physical presence in Cyprus for more than a year, previously considered "non-resident." Investments made through such companies are now included in Central Bank statistics, in contrast to previous years. As a result, the official investment statistics given below appear inflated compared to earlier years.

A detailed breakdown of direct investment by country of origin and names of specific foreign investors is unavailable -- the GOC considers this information confidential. However, some general information on the type and origin of foreign investment follows.

The inflow of approved foreign direct investment reached USD 1.22 billion in 2004, compared with USD 1.00 billion in 2003, and USD 1.06 billion in 2002. The sectoral allocation of this investment in 2003 (none available for 2004) was as follows: manufacturing 0.8 percent; construction 0.8 percent; trading 14.6 percent; hotels and restaurants 0.2 percent; transport and communications 11.1 percent; financial

intermediation 24.7 percent; real estate and business 41.0 percent, other services 6.7 percent. In terms of geographical origin, the majority of new investments in 2003 (58.1 percent of total value) originated from the EU; 31.1 percent originated from other European countries; 4.6 percent from the United States of America; and the remaining 6.2 percent from various other countries.

The gradual liberalization of foreign direct investment regulations has made Cyprus progressively a more attractive destination for US investors in recent years. Traditionally, U.S. direct investment in Cyprus consisted of relatively minor projects, mostly by Greek-Cypriot expatriates. New investment projects with U.S. involvement in 2003 included a well-known US coffee retailing franchise, an equestrian center, a hair products manufacturing unit, a firm trading in health and natural foodstuffs, and a financial services company. It should also be noted that the abolition of restrictions on investment originating from the EU allows U.S. investors to benefit as well, provided they work through subsidiaries in the EU.

Area Administered by Turkish Cypriots:

No detailed statistics on investment in the “TRNC” are available. However, it is clear that most foreign direct investment in north Cyprus since 1974 has come from Turkey – both from the government and the private sectors. The sector, which has attracted most investment, has been tourism. Currently, there are plans for several large hotels in coastal areas in the north and one large marina.

Web Resources

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American Embassy in Nicosia:

<http://www.americanembassy.org.cy>

Government-Controlled Area:

GOC Ministry of Finance:

<http://www.mof.gov.cy/mof/mof.nsf/Main?OpenFrameset>

Central Bank of Cyprus:

http://www.centralbank.gov.cy/ngcontent.cfm?a_id=37

GOC Department of Merchant Chipping:

www.shipping.gov.cy

Area Administered by Turkish Cypriots:

“TRNC State Planning Organization:”

<http://www.devplan.org/>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The usual method of payment for business transactions is by letter of credit, with 90-days credit.

How Does the Banking System Operate

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Government-Controlled Area:

The standard of banking services in the government-controlled area of Cyprus compares well with European countries and the United States. The Central Bank of Cyprus supervises closely private banks and requires them to meet Bank for International Settlements (BIS) standards as well as corresponding directives by the European Union. Bank financial statements are in compliance with international standards and audited by internationally recognized auditors. The Banking Law of 1997 provided for a properly funded deposit insurance scheme. The House approved the specific provisions and regulations for this scheme in 1999.

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots went through a severe banking crisis from 1999 to 2001, which resulted in the closure of several banks and in financial losses for hundreds of local depositors. The crisis was fuelled mainly by the Turkish financial crisis but also by inadequate supervision. Banking supervision in the north has improved significantly in the past few years. The "Central Bank" oversees and regulates the 25 on-shore banks. Three of the five members of the "Central Bank's" "Board of Directors" are from Turkey as is the "Central Bank Governor."

Foreign-Exchange Controls

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In both the government-controlled area and the area controlled by Turkish Cypriots there are no restrictions on either incoming or outgoing foreign exchange remittances for legitimate business purposes. However, the following restrictions apply to carrying cash in local or foreign currency in or out of the country.

Government-Controlled Area:

Travelers both in and out of Cyprus, whether residents or non-residents, may carry local or foreign currency up to CP7,300 or €12,500 (about USD 15,987) without any questions asked. Sums over this threshold must be declared to the Department of Customs at the port of entry/exit. When this currency was obtained through a bank, the traveler must display a copy of the bank transaction.

Area Administered by Turkish Cypriots

Travelers exiting the area administered by Turkish Cypriots, whether residents or non residents, may carry up to USD 10,000 in local or foreign currency, without any problem. Travelers must obtain authorization from the "Central Bank of the TRNC" for sums over this threshold and declare the money to the "Department of Customs" at the port of exit. There is no restriction for the import of currency into the area administered by Turkish Cypriots.

U.S. Banks and Local Correspondent Banks

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Government-Controlled Area:

The government-controlled area of Cyprus currently has 12 domestic banks and two branches of foreign banks. They offer all types of services, including deposit accounts, lending advances, leasing, credit card facilities, and automatic banking machines. Some of them have subsidiaries dealing with insurance services, investment banking, and other related services. All of these banks have correspondent arrangements with U.S. banks. Cypriot domestic banks have received very high ratings from international rating agencies. Following is a list of domestic banks:

Cyprus Incorporated Banks

1. Bank of Cyprus Public Company Ltd
2. Mortgage Bank of Cyprus Ltd
3. The Cyprus Popular Bank
4. Hellenic Bank Ltd
5. Alpha Bank Limited
6. National Bank of Greece (Cyprus) Ltd
7. Co-Operative Central Bank Ltd
8. Universal Bank Public Limited
9. Emporiki Bank - Cyprus Ltd
10. The Cyprus Development Bank Ltd
11. Housing Finance Corporation
12. Société Générale Cyprus Ltd

Cyprus Branches of Foreign Banks

1. Arab Bank Plc
2. National Bank of Greece S.A. - Cyprus Branch

Full contact details for all of the above banks can be obtained from the Central Bank of Cyprus website:

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=31

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots has a total of 25 domestic banks, most of which have correspondent facilities with the United States. The full list of domestic banks in the area administered by Turkish Cypriots can be obtained from the following website:

<http://www.kktcmb.trnc.net/ENGLISH/defaultENG.htm>

Project Financing

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Government-Controlled Area:

There are no significant problems with credit availability in the government-controlled area of Cyprus. Up until the end of 2000, Cypriot businesses relied on local sources of financing. Additionally, the lifting of restrictions on foreign borrowing since January 1, 2001, has encouraged many residents to turn to lower-interest, Euro-denominated loans (through local banks, since foreign banks have little competitive advantage here). Cyprus enjoys an excellent credit rating internationally. Standard and Poor's rates Cyprus' long-term foreign currency credit at "A" and its short-term foreign currency credit rating at "A1." Banks in Cyprus employ all modern methods of cross-border financing, including letters of credit, bills for collection, documentary credit, and cash against documents. U.S. EXIM Bank financing could also be applied in Cyprus for U.S. source equipment purchases. EXIM Bank is open for short- and long-term trade financing. Cyprus graduated from World Bank borrowing in 1992.

Area Administered by Turkish Cypriots:

Credit availability is more of a problem in the area administered by Turkish Cypriots and domestic banks charge much higher real interest rates than banks in the government-controlled area. Due to north Cyprus's relative economic isolation and issues arising from the "TRNC's" lack of international recognition, both domestic banks and businesses currently have very limited access to international capital. U.S. EXIM Bank financing may be available for U.S. source equipment purchases and trade financing involving the private sector. EXIM Bank financing is not available for projects involving the public sector.

Web Resources

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Central Bank of Cyprus: http://www.centralbank.gov.cy/nqcontent.cfm?a_id=1

"Central Bank" of the "TRNC": <http://www.kktcmb.trnc.net/ENGLISH/defaultENG.htm>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Chapter 8: Business Travel

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- [Telecommunications](#)
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Business Customs

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Business customs in Cyprus are not very different from the U.S. Despite the long and hot summer, the conventional business dress code usually calls for a suit and tie for men and conservative attire for women. More casual wear is usually worn when entertaining business guests, depending on the venue.

Travel Advisory

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Cyprus enjoys a low crime rate, good hygienic conditions, and a modern array of goods and services. Visitors may obtain travel advisory information from the Embassy's website: <http://www.americanembassy.org.cy>. Any foreigner arriving in Cyprus must possess a valid passport except EU passengers who can enter the island with only their ID.

Visa Requirements

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For Travel from Cyprus to the U.S.:

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Embassy's website: <http://www.americanembassy.org.cy>

For Travel from the U.S. to Cyprus

Government-Controlled Area:

U.S. citizens do not need visas to enter Cyprus. Persons arriving with the intention to work must obtain special work permits. For more information contact the Consular Section of Embassy Nicosia at +357-22-393939. Information is also available on the Embassy website: <http://www.americanembassy.org.cy>.

Area Administered by Turkish Cypriots:

U.S. citizens do not need visas to enter the area administered by Turkish Cypriots. U.S. citizens can enter the area administered by Turkish Cypriots either directly (through the Ercan and Gecitkale airports and the Kyrenia and Famagusta seaports) or from the government-controlled area (at one of the four current crossing points over the UN-patrolled green line). Since 1974, the Cypriot government has designated Larnaca and Paphos international airports, and the seaports of Limassol, Larnaca, and Paphos, as the only legal points of entry into and exit from Cyprus. These ports are all in the government-controlled southern part of the island. The Government of Cyprus considers entry or exit via any other air or seaport an illegal act. Until recently, visitors choosing to arrive at "non-designated" airports and seaports in the north were not allowed to cross the United Nations-patrolled "green line" to the government-controlled area in the south. In June of 2004, however, Cypriot authorities implemented new EU-related crossing regulations that allowed Americans (and citizens of most other countries) to cross freely regardless of their port of entry into Cyprus. Visitors arriving in the south are normally able to cross into the north without hindrance, although on occasion difficulties are encountered at both the Greek-Cypriot and Turkish-Cypriot checkpoints. Policy and procedures regarding such travel are subject to change. More information on current procedures may be obtained at the U.N. "Buffer Zone" Ledra Palace checkpoint in Nicosia. U.S. government officials are permitted to travel directly from locations outside Cyprus to the area administered by Turkish Cypriots provided they travel on their tourist passports.

Telecommunications

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Government-Controlled Area:

The island's telecommunications system is quite advanced and efficient. More than 190 countries can be reached through fully automatic direct dialing. Installation services are offered within a few days notice. Telefax service is available, as is the Internet. Cyprus uses GSM cellular phone technology on European frequencies and standards. Both CyTA and Areeba provide cellular phone services.

Area Administered by Turkish Cypriots:

The "Telecommunications Authority" in the north provides telephone, telex, fax and telegram transmission services. The telephone service is integrated into the Turkish market and uses the Turkish country code. Two private companies, Turkcell and Telsim provide GSM-Mobile services. While Internet services are widely available, broadband services are not, and the Internet is especially slow during peak hours.

Transportation

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Government-Controlled Area:

Traveling within Cyprus is by taxi and bus service or rental car. Taxis are metered. The cost for a taxi from the airport to Nicosia is around CP 25.00 (USD 55.00). To rent a car - depending on the season - prices range from CP 15.00 to CP 20.00 (USD 33.00 - 44.00) per day with unlimited mileage.

Air traffic is served through the island's two international airports situated in Larnaca and Paphos. Cyprus Airways is the national carrier of Cyprus, which also operates chartered flights through its subsidiary, Eurocypria. Many international airlines including Cyprus Airways offer daily flights to major destinations in Europe and the Middle East. The port of Limassol serves the country's external trade and sea borne passenger traffic, acting also as transshipment center for the region.

Area Administered by Turkish Cypriots:

Means of public transportation in the north is by bus or taxi. Rental cars services are also available. The distances are relatively small and the roads are in fairly good condition. Because the Government of Cyprus actively discourages the use of its air space for flights into Ercan airport (an airport it considers illegal) flights to and from north Cyprus must currently touch down in Turkey. The two ports of Famagusta and Kyrenia are used for cargo and passenger transportation respectively. Most goods destined for the north are transshipped through the Turkish port of Mersin -- significantly increasing the cost of shipping cargo to north Cyprus.

Language

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The principal languages in Cyprus are Greek and Turkish. Greek is spoken mainly in the government-controlled part of the island (south) - and Turkish is mainly spoken in the northern part of Cyprus. English is widely spoken and understood, particularly in commercial and political circles.

Local Time, Business Hours, and Holidays

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Government-Controlled Area:

The list of holidays observed by businesspersons in Cyprus for 2005 are:

January 1	New Year's Day
January 6	Epiphany Day
March 14	Green Monday - Start of Lent
March 25	Greek Independence Day
April 1	EOKA Day
April 29	Good Friday
May 1	Labor Day
May 2	Easter Monday
June 20	Holy Spirit Day
August 15	Assumption Day

October 1	Cyprus Independence Day
October 28	OHI Day
December 24	Christmas Eve
December 25	Christmas Day
December 26	Boxing Day

Businesspersons should avoid making appointments on the above dates. The months of July and August are relatively slow months because many businesses are closed for summer vacations.

Government Offices:

Monday – Wednesday:	7:30 – 14:30
Thursday:	7:30 – 18:00
Friday:	7:30 – 14:30

(Note: During the months of July and August, the Government offices are closed on Thursday afternoon).

Banking sector:

Monday:	7:30 – 14:30 and 15:00 – 18:00
Tuesday – Friday:	7:30 – 14:30

(Note: From May to August, the banks are closed on Monday afternoon).

Private sector business hours vary. The most common work hours companies follow are from 8:00 to 17:00 with a one-hour break between 13:00 and 14:00. Private sector hours are the same year round.

Business travelers to Cyprus seeking appointments with U.S. Embassy Nicosia officials should contact the Commercial Section in advance. The Commercial Section can be reached by phone at +357-22-393520, by fax at +357-22-393923 or through email: nicosiaecon@state.gov.

Area Administered by Turkish Cypriots:

Public holidays for 2005 are:

January 19	Arife to Kurban Bairam (half day)
January 20	Kurban Bairam
January 21	Kurban Bairam
May 19	Youth and Sports Day
July 20	Peace and Freedom Day
August 30	Victory Day
November 2	Arife to Ramadan (half day)
November 3	Ramadan Bairam
November 4	Ramadan Bairam
November 15	Proclamation of the “TRNC”

“Government” Offices: (Monday – Friday)

October – April:	08:00 – 13:00 and 14:00 – 17:00
May – September:	07:30 – 14:00 and 15:30 – 18:00 (on Mondays)
Shops: (Monday – Saturday)	
October – April:	08:30 – 13:00 and 14:00 – 18:00
May – September:	08:00 – 13:00 and 16:00 – 19:00
Banks: (Monday – Friday)	
October – April:	08:30 – 12:00 and 14:00 – 15:30
May – September:	08:30 – 12:30 and 14:15 – 16:15
Factories: (Monday – Friday)	
October – April:	07:30 – 16:00
May – September:	07:30 – 16:00

Business travelers to the area administered by Turkish Cypriots seeking appointments with U.S. Embassy Nicosia officials should contact the Commercial Section in advance. The Commercial Section can be reached by phone at +357-22-393520, by fax at +357-22-393923 or through email: nicosiaecon@state.gov.

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<http://www.cyprus.gov.cy>

Republic of Cyprus official website

<http://www.trncgov.com/>

“TRNC” website

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Trade Events](#)

Contacts

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Government-Controlled Area:

The Government of Cyprus and semi-governmental organizations can be accessed through the Internet at the following web addresses: <http://www.cyprus.gov.cy>. Through this Website there are links to all Ministries and independent services related to the Government. The Cyprus Telecommunications website is: <http://www.cyta.com.cy> and the Electricity Authority of Cyprus website is: <http://www.eac.com.cy>.

Ministry of Foreign Affairs

Minister	Mr. George Iacovou Tel.: +357-22-300700 Fax: +357-22-661881
Permanent Secretary	Mr. Sotos Zakheos Tel.: +357-22-300713 Fax: +357-22-461881

Ministry of Finance

Minister	Mr. Makis Keravnos Tel.: +357-22-601106 Fax: +357-22-602741
Permanent Secretary	Mr. Christos Patsalides Tel.: +357-22-601111 Fax: +357-22-602743

Ministry of Commerce and Industry

Minister	Mr. George Lillikas Tel.: +357-22-867111 Fax: +357-22-375323
Permanent Secretary	Mr. Andreas Petronidas Tel.: +357-22-867196 Fax: +357-22-375120

Ministry of Communications and Works

Minister	Mr. Charis Thrasou Tel.: +357-22-800102 Fax: +357-22-441022
Permanent Secretary	Mr. Makis Constantinides Tel.: +357-22-800104 Fax: +357-22-475024

Ministry of Agriculture and Natural Resources

Minister	Mr. Efthymios Efthymiou Tel.: +357-22-303815 Fax: +357-22-781156
Permanent Secretary	Mr. Panicos Pourous Tel.: +357-22-300817 Fax: +357-22-781156

Ministry of Health

Minister	Mr. Andreas Gavrielides Tel.: +357-22-309503 Fax: +357-22-434189
Permanent Secretary	Mr. Sotiris Soteriou Tel.: +357-22-309508 Fax: +357-22-434203

Electricity Authority of Cyprus

Chairman	Mr. George Georgiades Tel.: +357-22-762001 Fax: +357-22-767658
Chief Executive Officer	Mr. Moisis Stavrou Tel.: +357-22-300713 Fax: +357-22-461881

Cyprus Telecommunications Authority

Chairman	Mr. Stavros Kremmos Tel.: +357-22-701200 Fax: +357-22-701500
General Manager	Mr. Nikos Timotheou Tel.: +357-22-701202 Fax: +357-22-494940

Commission of Telecommunications and Postal Regulations

Commissioner	Dr. Vassos Pyrgos Tel.: +357-22-693100 Fax: +357-22-693030
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Commission of Energy Regulation

Commissioner	Mr. Costas Ioannou Tel.: +357-22-666363 Fax: +357-22-667763
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Cyprus Ports Authority

General Manager	Mr. Antonis Toumazis Tel.: +357-22-756100 Fax: +357-22-765420
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Country Trade Associations/Chambers of Commerce

In 1997 the Cyprus-American Business Association was established under the Cyprus Chamber of Commerce and Industry to handle matters related to trade with the United States. The Cyprus American Business Association (CyABA), which is also a member of the U.S. Chamber of Commerce, has a very useful Internet site at:

<http://www.cyaba.com.cy>

Contact:

Mr. Kyriakos Kokkinos, President
CyABA
38 Griva Digeni Ave. and Deligiorgis Streets
P.O. Box 21455
1509 Nicosia

CYPRUS

Tel.: 357-22-889800

Fax: 357-22-668630

E-mail: info@cyaba.com.cy

The Cyprus Chamber of Commerce and Industry, with regional chambers in all four major towns, is the major contact for business advice in Cyprus.

Contact:

Mr. Panayiotis Loizides, Secretary General
Cyprus Chamber of Commerce and Industry
38 Griva Digeni Ave. and Deligiorgis Streets
P.O. Box 21455

1509 Nicosia

CYPRUS

Tel.: 357-22-889800

Fax: 357-22-669048

E-mail: chamber@ccci.org.cy

Homepage: <http://www.ccci.org.cy>

There are also trade associations governing most professions. Most of these associations are housed within the Cyprus Chamber of Commerce and Industry building. For more information, please contact Mr. Thasos Katsourides, Secretary, at the above address.

U.S. Embassy Trade Personnel

The Embassy's Commercial Unit is in the main chancery. An American Economic officer is assigned to the Embassy for a three-year tour and supervises the Economic, Commercial and AID Section. One Cypriot Commercial Specialist, a Cypriot Commercial Assistant and a Cypriot Economic Specialist are available to assist U.S. Businesspersons. The Embassy's telephone number is +357-22-393939 and the direct number for the Commercial Section is +357-22-393520. The fax number is +357-22-393923. The Embassy has its own website on the Internet:

<http://www.americanembassy.org.cy> and may also be reached by e-mail at nicosiaecon@state.gov.

Washington-Based USG Country Contacts

Washington-based USG country contacts include the Cyprus Desks at the Department of State (tel.: 202-647-6113) and Department of Commerce (tel.: 202-482-3945), the Overseas Private Investment Corporation (OPIC) (tel.: 202-336-8474), EXIM Bank (tel.: 202-566-8990), and Trade and Development Agency (tel.: 703-875-4357).

Area Administered by Turkish Cypriots:

“Ministries”

“Ministry”	“Minister”	Address	Telephone	Fax
“Prime Ministry”	“Prime Minister”: Mr. Ferdi Sabit Soyer	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 31 41	(90) (392) 227 52 81
“Deputy Prime Ministry and Ministry of Foreign Affairs”	Mr. Serdar Denktash	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 32 41	(90) (392) 228 42 90
“Ministry of Economy and Tourism”	Mr. Dervish Kemal Deniz	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 31 16	(90) (392) 228 52 04
“Ministry of Finance”	Mr. Ahmet Uzun	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 31 16	(90) (392) 227 82 30
“Ministry of Public Works and Transportation”	Mr. Salih Usar	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 36 66	(90) (392) 228 18 91
“Ministry of Interior”	Dr. Ozkan Murat	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 33 44	(90) (392) 228 30 43
“Ministry of Labor and Social Security”	Mr. Sonay Adem	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 227 87 65	(90) (392) 228 64 54
“Ministry of Education and Culture”	Mrs. Canan Oztoprak	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 31 36	(90) (392) 228 23 34
“Ministry of Agriculture and Forestry”	Mr. Huseyin Oztoprak	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 35 95	(90) (392) 228 69 45
“Ministry of Health	Mr. Esref Vaiz	Lefkoşa – “TRNC”	(90) (392) 228 31 73	(90) (392) 228 38 93

and Social Welfare”		Via Mersin 10 Turkey		
“Ministry of Youth and Sport”	Mr. Ozkan Yorgancioglu	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 227 87 65	(90) (392) 228 93 78

“Public and Private Organizations”

Organization Name	“Directors”	Address	Telephone	Fax
“State Planning Organization”	“Under Secretary”: Mrs. Isilay Yilmaz	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 31 41	(90) (392) 228 59 88
“Department of Official Receiver and Registrar”	Mr. Kemal Ozcakir	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 43 45	(90) (392) 227 22 05
“Central Bank”	“Governor”: Mr. Erdogan Kuchuk	Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 32 16	(90) (392) 228 86 07
“Development Bank”	Mr. Tuncay Yorel	P.O. Box 29 Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 84 40	(90) (392) 227 82 55
“Magusa Free Port and Zone Administration”	Mr. Adnan Zihni	Magusa – “TRNC” Via Mersin 10 Turkey	(90) (392) 365 11 64	(90) (392) 365 47 75
Cyprus Turkish Chamber of Industry	Chairman: Mr. Salih Tunar	Osman Paşa Caddesi No: 14 Kösklütiftlik Lefkoşa – “TRNC” Via Mersin 10 Turkey	(90) (392) 228 45 96	(90) (392) 228 45 95
Cyprus-Turkish	Chairman:	Bedreddin Demirel	(90) (392) 228 37 60	(90) (392) 228 30 89

Chamber of Commerce	Mr. Ali Erel	Caddesi Lefkoşa – “TRNC” Via Mersin 10 Turkey		
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Market Research

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Recently, the Embassy has prepared Insight Market Information (IMI) reports and related cables on: (a) energy issues, specifically tender opportunities in the energy sector; (b) the GOC's plans to construct a dam in the Solea valley to improve the limited access of water in the area; (c) grain – wheat sales opportunities in Cyprus especially now with the liberalization of the market due to EU accession as of May 1, 2004 (d) a project for a highway construction opportunity in the city of Paphos (e) a casino construction possibility in Cyprus and plans from the Cyprus Tourism Organization to release a tender for a feasibility study on constructing a casino on the island (f) a turnkey project to design, built and operate (DBO) a waste management station (g) Cyprus State Fairs Authority: Plans for a Large Integrated Land Development Complex in Nicosia, Cyprus (project fell through) (h) Crop Duster/Fire-fighting Aircraft Tender (i) Combined Cycle Gas Turbine Tender, (j) a Larnaca Marina and Larnaca Port Re-development joined tender.

Industry Sector Analysis reports (ISAs) are not available in Cyprus at present. However, International Company Profiles (ICP) and Gold Key Services are available through Embassy Nicosia for a fee. Requests for Commodity Reports and Market Briefs should be referred to USDA Washington at the following address:

U.S. Department of Agriculture
Director, Agricultural Export Services Division
Foreign Agricultural Service
Washington DC 20250-1052
Tel. (202) 690-3424
Fax: (202) 690-4374

A complete list of market research is available on the National Trade Data Bank (NTDB).

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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Government-Controlled Area:

The major annual trade event in Cyprus is the Cyprus International Fair, (a general trade fair with a variety of consumer and industrial products) which is an exhibitor-financed event. The 30th Cyprus International Fair took place between 20-29 May 2005. U.S. firms interested in exhibiting at the U.S. Pavilion in the future, should contact Ms. Anna Agrotou, tel.: +357-22-393520, fax: +357-22-393923, or Ms. Ephie-Yvonne Charalambidou, tel.: +357-22-393362, fax: +357-22-393923, email: nicosiaecon@state.gov

Additionally, the State Fairs Authority has the following specialized exhibitions planned for 2005 (the schedule for 2006 is not yet available) at the State Fair Grounds:

Date	Title of Exhibition
October 12-16, 2005	Agrifair (Agricultural machinery and equipment, machinery and tools for general use, agricultural products and foodstuffs)
October 26-30, 2005	Ideal Home Exhibition (1) Furnifair: Furniture and furnishings, lighting fixtures 2) Klimatherm: Heating and cooling equipment, solar energy systems 3) Ecodomica: Building materials and construction equipment 4) Home Equipment: Kitchenware, chinaware, crystal items, and domestic appliances 5) Property Development: Land development companies, housing and hotel apartment companies and organizations}

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

Area Administered by Turkish Cypriots

All exhibitions are located at the Ataturk Culture Park and Fair Area:

Date	Title of Exhibition
July 1 – 10, 2005	Stock Out Summer Consumer Fair
July 18 – 22, 2005	Construction Equipment Fair
July 29 – August 7, 2005	Handicrafts and Gifts Fair

August 12 – 19, 2005	Electric, Electronics and Information Technology Fair
September 2 – 11, 2005	Local Products Fair
September 23 – 30, 2005	Hunting Equipment Fair
October 7 – 16, 2005	Handicrafts and Gifts Fair
October 24 – 30, 2005	Construction Equipment Fair
November 11 – 18, 2005	Tourism Equipment and Gastronomy Fair
November 28 – December 4, 2005	Cleaning Equipment and Packaging Technologies Fair

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the links below.

http://www.export.gov/comm_svc/

<http://www.americanembassy.org.cy/Commercial/infoForUSCompanies.htm>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.